★ STOCK MARKET—LOOKING TO THE FALL ★

The MAGAZINE of WALL STREET

and BUSINESS ANALYST

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1956 Mid Year Dividend Forecast

IN THIS ISSUE—PART 3

• ELECTRICAL • FARM • OFFICE •
• RAILWAY • EQUIPMENTS •

BATTLE FOR DOMESTIC OIL MARKETS
By JOSEPH C. POTTER

WHAT SECOND QUARTER EARNINGS REPORTS REVEAL
By RICHARD COLSTON

3 PRIME AIRCRAFTS INVESTMENTS
By WARNER T. WILSON

New BUSINESS TREND FORECASTER


60

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and BUSINESS ANALYST

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CONTENTS

Cover Photo by Standard Oil of New Jersey
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Photo page 587 by Philip Gendreau
Photo page 590 by Westinghouse Electric Corp.
Photos page 597 by Burroughs Corp. and International Business Machines
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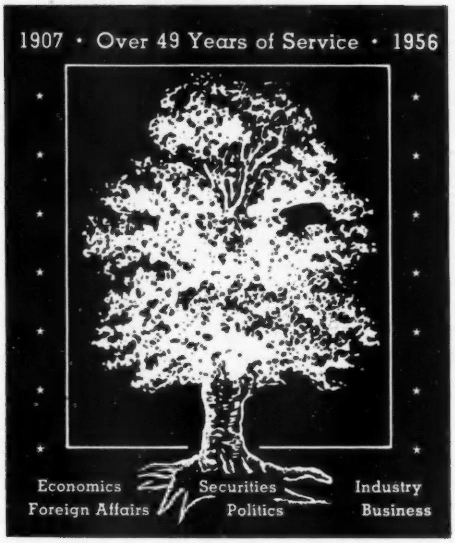
C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

SEIZURE OF SUEZ . . . For the past few years the columns of THE MAGAZINE OF WALL STREET have highlighted the Middle East. We did so because of the tremendous investment stake Americans have in this strategic area. For us, the seizure of the Suez Canal really did not come as a surprise. It was evident from the behavior of Egyptian Dictator Nasser that he was not to be trusted. Nor would he permit anything to stand in his way toward the building of a Pan-Islam state with himself as the overlord. And, having neither the background or the training to supply the wherewithal, he lacked the understanding and wisdom needed to count the cost and the effect of illegal confiscation of long-established foreign-owned assets and property on his country's economy.

An unscrupulous intriguer, he has destroyed confidence in his word and his promise. The United States refused to be manipulated by him. In order to put pressure on the United States and to jack up the ante, he invented the Russian offer to build the Aswan High Dam, although we knew the Soviet had never given him any such assurance. He promised the French he would not interfere in Algeria, yet now he says that the Algerian rebellion against the French is his war. He pretended that his acquisition of arms came from Czechoslovakia, although now he openly declares they came from Russia.

His seizure of the Suez Canal was not an act of wisdom, but a way of venting his spleen on the great powers. How far he can get remains to be seen, for responsible elements in his country are bitterly opposed to his hasty and ill-considered action. There is no doubt that Britain's blocking of Egypt's sterling accounts already has hurt the Egyptians severely. And although the Egyptian government is striving to assure the world that it recognizes its responsibilities for maintaining the Suez Canal as an international waterway, the great international shippers are unlikely to have faith in these promises.

If any proof was needed that appeasement is dangerous, we now have it — and in full measure. Appeasement of Hitler brought on World War II — appeasement of Russia enabled her to dangerously expand her rule over large areas of the world.

While none can say at this hour where the dangerous game with Nasser will lead, it must at last be apparent that wheedling, pleading and appeasing will yield no dividends in dealing with him either.

THE COMING SCRAMBLE . . . Aside from scattered production, the strike in the steel industry added up to a July holiday that forced scores of factories to shut down and others to cut back output. Acquiring steel was no easy chore for hundreds of manufacturers and contractors even prior to the steel strike. Many bought far in excess of their needs in anticipation of the stoppage and/or higher prices for the metal. Others never were able to get all the steel they needed, a condition common to such industries as oil, railway-car building and users of structural and reinforcing steel.

The duration of the coming scramble for steel will depend in large measure on

We call the attention of the reader to our newly-devised Trend Forecaster, which appears as a regular feature of the Business Analyst. This new department presents a valuable market analysis of importance to investors and business men. To keep abreast of the forces that may shape tomorrow's markets, don't miss it!

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS::1907–*"Over Forty-nine Years of Service"*–1956

the level of consumer buying, now on a lofty plateau. It remains to be seen whether consumers will reach for products priced higher as the results of another of wage and price increases.

OWNERS OF INDUSTRY . . . Considering the smallness of their voice, compared with the strident tones emanating from the high councils of organized labor or the farm bloc, it is difficult to believe that more than one of every 20 Americans has a stock-owning interest in our publicly-held companies. We are indebted to the New York Stock Exchange for this latest census on the number of people who have used their savings to create new businesses, permit old ones to expand and thus made possible the highest standard of living this (or any other) country ever has known.

The 8,630,000 stock-owning Americans are, in two of every three instances, folks with annual income of less than $7,500 a year. Thus, not only has the number of shareholders risen over the past four years (by 33%), but the median income of today's stockholder is $6,200, compared with $7,100 in 1952.

Ours always was a society in which the worker and the employer had mutual interests, even though these were not constantly crystal clear. But with share ownership of the populace growing at the rate of better than 500,000 persons per annum, there can be little room for doubt that all segments of our society have an overriding stake in a healthy and prosperous economy.

MORE ON AIRCRAFTS & PROFITS . . . Back in March, we suggested that, this being an election year, it would be too much to expect gentlemen in Congress to pass up the opportunity to demonstrate their deep concern for the public interest. One of the elements bound to feel the whiplash of the candidates in the months ahead, it was reasoned, was the aircraft industry.

Amid the confusing cries of "Let's have a seven-day work week!" and "They're making too much money!" a House Armed Services subcommittee undertook a study of aircraft earnings and dividends. We are glad to note that the gentlemen have found the industry is giving the taxpayer his money's worth and has held to conservative levels the payout of dividends to share-owners.

Chairman of the subcommittee is Rep. Hebert, a Louisiana Democrat. After noting that the study had been extensive and painstaking, he said the report would take away "much of the mystery and probably some of the concern which many have felt concerning a program so vast as the purchase of airframes."

Stating the record on dividends was "conservative" and lauding the companies for "a creditable record of plowing back into their plants between 60% and 70% of net earnings after taxes," the group, whose finding was unanimous, would seem to have given the manufacturers a clean bill of health.

In any event, this doesn't sound like the Mr. Hebert of last winter, who ranted that folks with an investment in aircraft companies were trying to "make money by gambling that this nation will continue to be at the brink of war." To the degree that the study answers the mystery and lessens concern for Mr. Hebert, the achievement also is notable.

EXPANSIVE A. T. & T. . . . The announcement by American Telephone and Telegraph Co. that it proposes to increase its authorized stock to 100 million shares from 60 million shares and raise about $575 million through sale of 5,750,000 shares is of prime interest to its more than 1.4 million shareholders. But it has significance for the entire country, for the company is, after a fashion, saying that the broad expansion of the Bell System in the post-war decade is to continue for years to come. It is no small token of the company's faith in the future of the United States.

In 1946, there were 25.7 million Bell System telephones in operation. That figure has been doubled in 10 years. Yet the demand for telephone service continues at high levels. The company is moving to meet that demand.

Thus, it has a record building budget of $2.1 billion for 1956. That is a daily outlay of about $6 million, including Sundays and holidays. For this enormous sum, it is estimated the company will be enabled to add 1.5 million customers, or 3 million telephones; another million customers will get improved service by conversion of their central office to dial from manual operation; still another million customers will be able to dial long distance. That, of course, is only part of what the $2.1 billion will buy.

Last month, the company sold $250 million of debentures — a straight debt proposition. Since the company is expected to spend another $2 billion on capital expansion in 1957, this largest direct common stock offering in history, about to be made to its shareholders, makes economic sense.

And by making the offering to its shareholders, the company will be passing on to owners highly valuable rights. Such rights, over the years, have served to swell the $9 yearly dividend for thousands of its owners. A stockholder who elected to sell such rights last year got a return of more than $3 in addition to the $9 dividend. No rights were issued in 1954, but in each of the three preceding years these rights were worth about $2.20. For the long-time shareholder, the often-heard assertion that the stock is "married to a $9 dividend," the rewards have been richer than the indications.

AESOP, 1956 . . . A young, inexperienced phoenix, filled with conceit, decided the erection of a high dam was a matter of life and death for his community. He approached the eagle and received a promise of help. The lion also offered to aid.

He did not accept their offer, but turned instead to the bear in the hope of getting even more. The phoenix found the bear friendly, but hesitant.

Now deeply concerned, he returned to the eagle and the lion, feigning success with the bear in order to exact a greater amount of help for his dam. Not taken in by this deception, the eagle and the lion decided to withdraw altogether from the project.

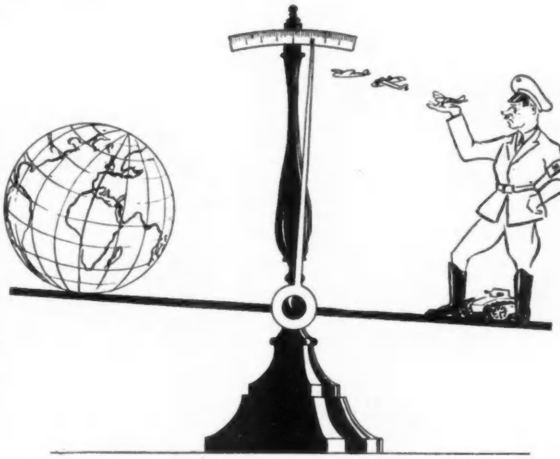
Moral: He who works both sides of the street ends up in the gutter.

As I See It!

By JOHN H. LIND

DOCTOR SCHACHT JUSTIFIES HIMSELF

The autobiography of Dr. Hjalmar Horace Greeley Schacht, just issued by Houghton Mifflin, is certainly a book worth while reading. For one thing, like the lifestory of any senior citizen today, it brings home how much history has been made in the span of a single generation. The Europe of Bismarck, Queen Victoria and Emperor Francis Joseph seems ages removed from the problem of atomic energy and the East-West struggle. Yet, both periods are within the experience of living men. However, Schacht's book is not just an old man's memoirs. The man who ran Germany's economy intermittently from 1923 to 1939 has more than once had his hand in shaping the events of history which provide the backdrop for his life story.



Schacht often has been called a financial wizard, a description of which he seems quite proud. There is no doubt his understanding of central banking, the credit system, the gold standard and other basic economic institutions was extremely keen and unfettered by traditional or 'classical' theories. To this extent he was ahead of many other financial leaders of his time who often failed to recognize economic doctrines do not necessarily hold universal truths but are the product of specific periods and are valid only with them. Yet, for all his brilliance and wit he has one drawback which eliminates him from the select group of great minds.

He never learned, he never changed and he could never be wrong. The following is a small but typical example: When he was a young banking official he once decided to withhold advertising from a large daily newspaper whose financial editor had questioned the worth of some of the bank's securities. That an eager junior executive could stoop to such action is understandable but that fifty years later he still chuckles approvingly over the fact that his blackmail was successful shows him to be an obstinate man, unwilling to admit any mistake.

In his book Schacht claims three major successes in his life: He gave the German people a stable currency again, after the nightmare of the post World War I inflation; he provided work for 7 million unemployed in the early thirties by unorthodox but "common-sense" finance methods and, finally, he "restored the balance of trade through the introduction of bilateral and offset agreements . . . by abandoning the hitherto prevailing multilateral 'most-favored-nation' policy . . ."

Actually, only the first of these is a positive achievement. Though Schacht did not invent the system of the Rentenmark, a currency covered by a mortgage on the whole German landed property, he was called upon by Chancellor Streseman to introduce the Rentenmark and end the hyper-inflation. There is no doubt that he went about this job deftly and imaginatively in the face of terrific pressure on the part of many business leaders and municipalities who had come to like the idea of printing their own private 'emergency' money. Within a very brief time he reduced the exchange value of the mark from 12 trillion to the dollar to just 4.2. Subsequently, as president of the German Reichsbank, he helped to draw up the Dawes and Young plans for German reparations payments which did not hinder him from becoming Germany's foremost advocate for cessation of all payments on reparations as well as on the foreign loans given to Germany, mainly by the United States, to enable her to keep up her reparation obligations.

On the question of reparations he certainly had an arguable point. Transfer payments to the victors, as Lord Keynes had pointed out, forced Germany to export too large a share of her production without payment. At the same time, they endangered the victorious countries whose trade was hurt by this self-engendered competition of German exports. On the question of U.S. loans, Schacht's point that we should not have forced them down Germany's throat is extremely weak, especially for a man who prides himself on his moral principles. A loan accepted is an obligation incurred and no banker worthy of his calling can dismiss this obligation.

What about his other achievements? He did reduce unemployment very sharply by adopting a "program of productivity expansion not dependent on savings but on the actual creation of new money" but the astounding success of it was due not so much to his financial wizardry as the policies of Adolf Hitler, who put millions of young Germans into his para-military terror organizations, his new army or into a compulsory labor service and, in addition, placed large armament orders with German industry. Without these steps with (*Please turn to page* 632)

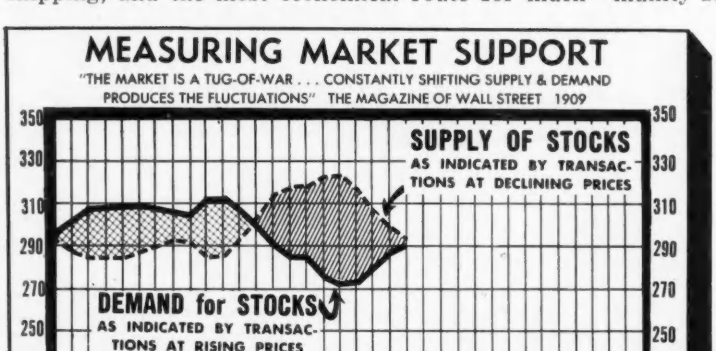
Stock Market—Looking To The Fall

The trouble with the market is that prospects for business and corporate earnings are "fair-to-middling", rather than dynamic and that most good-grade industrials are amply priced or over-priced. This means restricted upside potentials and increased downside risk, justifying a conservative and highly selective investment policy at this time.

By A. T. MILLER

In a continuing mixed market, the daily industrial average did little more than move sidewise during most of the last fortnight, without response in recent sessions to the news which foreshadowed the steel strike settlement formally announced late last week. Steel shares and rails got a lift for a time; but the market, and especially international oils, eased materially last Friday, following overnight news that Nasser had "nationalized" the Suez Canal to take its revenues for Egypt and to give the West a kick in the teeth. The British-American-French response was uncertain up to our press closing time. The canal is the lifeline for vital British shipping, and the most economical route for much other world shipping, including, of course, the tankers hauling Mid-East oil to Europe and the U. S. Eastern Seaboard. If the West "takes it," Nasser can put on a squeeze.

The average attained an all-time high of 521.05 on April 6. Since then, rallies have now halted twice in an area of technical congestion at the 515-516 level. In our view, upside possibilities for it are relatively modest, at best, on a percentage basis; and some further sell-off, whether immediately or a bit later, would not be surprising. It is not possible to say whether last Friday's action signaled the end of the May-July upswing. The investment community seemed to be looking to the fall.



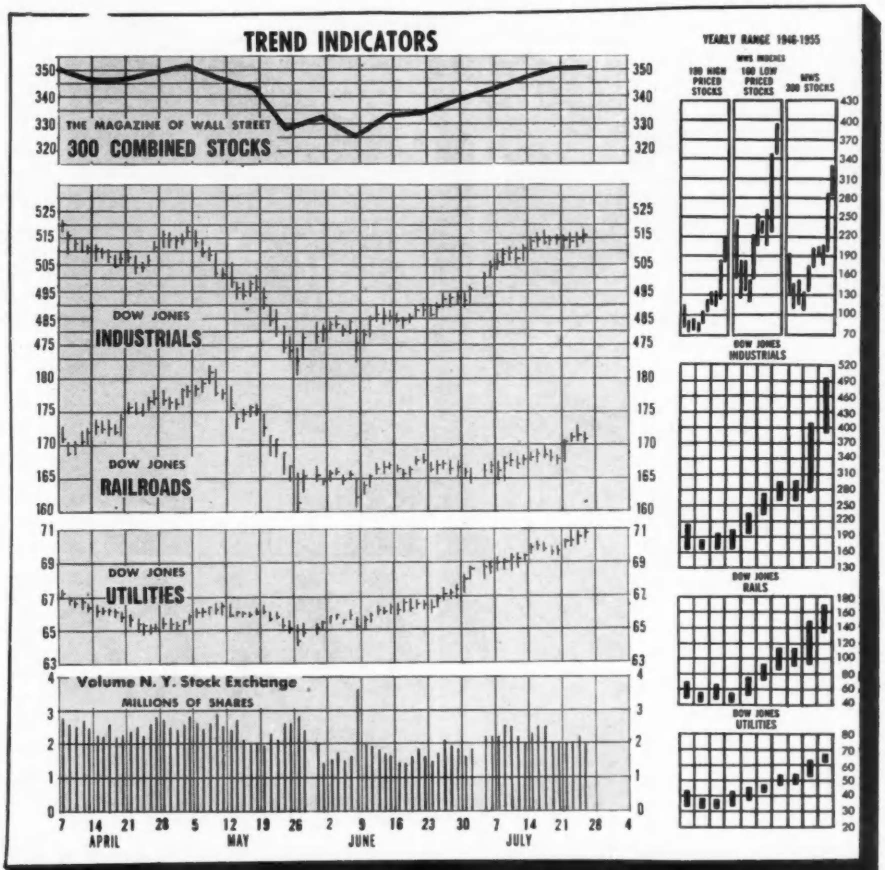
Rails And Utilities

The long sluggish rails had a three-day move through last Thursday, moderately extending their recovery phase for a while, but leaving the average well under its May 9 bull-market high. All that can be said is that the steel strike settlement will lift an important weight off current earning power; and that the technical position appears stronger than that of industrials. Last week's best level was a new bull-market high for the utility average, and it held well through Friday's trading. Taking into account the industry's favorable trend of earnings and dividends, comparative yield factors and the level of this stock group in its historical range, it remains our view that selected issues, a number of which have been recommended heretofore elsewhere in THE MAGAZINE, remain among the soundest choices for conservative investment buying.

So far as the general business outlook is concerned, the favorable implications of the steel settlement could easily be exaggerated. Bearing on this point, citation of a bit of history is in order. The last previous major steel strike, in 1952, lasted through June and most of July—a substantially longer period than in the present instance. Yet the Reserve Board's adjusted production index fell only from 119 in May to 115 in July. It rebounded to 123 in August; and by December it

had risen to 133, or a level nearly 12% above that of May. However, there was a large deferred steel shortage to be made up, both because of the long duration of the strike and because there had been less advance accumulation of steel inventories (especially flat-rolled steels for automobiles and other consumer durable goods) than in the present instance.

In the last five months of 1952 there were bigger percentage gains in personal income, and in output of automobiles, home appliances, machinery and primary metals than can be expected over the rest of 1956. Housing activity has recently receded a bit further to the lowest level since early 1954; and basis for any significant recovery over the rest of this year is not apparent. There is, of course, at least a seasonal rise in automobile output ahead; but it can not be taken for granted that retail demand for the 1957 models will be up to the industry's hopes. With the principal exception of steel, capital-goods activity, especially in machinery, is already so high, on a capacity reckoning, that no great room is left for further gain this year. Some types of steel will be in tight supply, as they were before the strike. There has not been time for full depletion of the invntories of light steels built up progressively through the first half of the year. The steel industry may get back to, or near, capacity operations for a short period; but activity thereafter, over the rest of the year, is likely to average below that of the first half of the year.



In short, we see no likelihood of a rise in industrial production comparable with that which followed settlement of the 1952 steel strike. The third-quarter level probably will differ little from that of the second quarter, after allowance for seasonal factors. The fourth quarter level may be the best of the year; but whether it will carry the index much, if any, above the peak of 144 attained in December, 1955, is problematical.

While the second-quarter earnings reports are mixed, as usual, the general picture is one of slackening gains in sales and some narrowing in margins. Higher steel and wage costs can not in all instances be fully passed on in retail prices. So the net effect may well be somewhat adverse for overall profits. Thy rose a spectacular 28.2% in 1955, but the year-to-year gain was cut to 11.2% in the first quarter—and probably to the vicinity of 5% in the second quarter of this year.

The Dividend Picture

The dividend picture is better than that for earnings, because many companies have increased payout ratios. Thus, total dividend payments showed year-to-year gains of over 17% in the first quarter, around 14% in the second and 15.7% for the first half. In a number of cases the motive for more liberal payouts is no doubt to facilitate equity financing.

The daily industrial average is now at a level around 15 times the first-half rate of annual earnings applicable to it. That is close to the 1946 peak ratio. It is under the maximum ratios recorded in 1937 and 1929, but they have little meaning because in both of those years earnings fell sharply in the final quarter, pulling down the full-year figures on the basis of which the top 1929 price-earnings ratio was 19.1 and that of 1937 16.9. On the *existing* rate of earnings at the time the 1929 and 1937 highs were established, the ratios were not greatly different from those at present.

Less market vulnerability is indicated in yield factors, with the industrial average on a basis around 4.25% to 4.50% on conceivable 1956 dividends, against minimum yields of 3.31%, 3.71% and 3.23%, respectively, at the 1929, 1937 and 1946 market tops. Spread between stock and bond yields on a current basis, (*Please turn to page* 632)

Uneconomic Effect of STRIKES!

By STANLEY DEVLIN

The impact of the nation-wide steel strike on the national economy is only now beginning to be felt, but its possible consequences call for an appraisal of what it means to the worker, to the industry involved and the total welfare of the country.

No all-embracing study along these lines is feasible. The task of following the wake of a dollar missing from the pay envelope of a man on strike in Pittsburgh to its effect on a man in the appliance industry in Indiana has never enticed serious research. Undoubtedly the task would be too appallingly complex to tempt an economist.

Few will doubt that the need for such a study exists, though its accomplishment would hardly receive the deserved applause.

Malignant Effect of Strikes

Yet almost any student of the problem of industrial relations, and more particularly of strikes, would hardly dare to question the general, far-reaching and malignant effect of work stoppages on the economy of the nation. It touches all, from the service tradesman in any area where industry's dollars are spent, to the investor seeking a place safely to invest his capital.

The Labor Department is prone to minimize these effects. The attitude toward work stoppages in general — the phrase is the official one to describe all halts in production — is that the striker is not really harmed very badly. It is argued that, once the strike is over, his increased take-home pay soon makes up the difference. This attitude is bolstered by the contention that any lag in production during the stoppage is made up in overtime afterward.

While this viewpoint might hold in some circumstances, it does not in others. Certainly, if an industry has been working to full capacity prior to the work stoppage it cannot go beyond its ultimate capacity on the resumption of work. If the struck company is in a highly competitive field during a time of full consumer demand, the lost production time cannot be made up.

Automotive Loss Cited

A case in point is that of the General Motors strike just after the end of the war. It took place at a time when customers were begging for new cars to replace the worn-out products they had made do during the war. They had pockets bulging with currency that had had no place to go during hostilities.

As a result of the work stoppage, it is estimated that General Motors failed to produce 1,100,000 cars which it could have marketed for more than a billion dollars. It is only reasonable to assume that at least a good part of that trade went to other motor-car manufacturers.

As for the worker making up the loss through higher wage rates and overtime, this thesis would seem at least to be debatable. Some time back there was circulated among the housewives of a strike-hit town a "Strike Cost Computer." Using simple mathematical terms, it translated into pay-envelope terms the length of time it would take a worker to make up, in higher wages, the time lost in the strike.

These easily interpreted tables showed it would take 16 weeks for the $100 a week man to make up for one missing pay envelope if he won a 10 cents per hour increase. It would take nine years and 32 weeks for the same worker to make up losses incurred in a 20-week strike. The table was widely denounced by the unions.

The importance of a thorough study of strike results is only dramatized by the steel strike. The very numbers of the union workers called out – 650,000 – is appalling. And this does not take into account the 150,000 non-union workers in the industry itself who were immediately affected.

1,750 Strikes In 1956

Such overwhelming totals would seem to make other work stoppages insignificant. Yet, according to the Bureau of Labor Statistics, there were 1,750 stoppages in the first five months of 1956. Involved in them were 730,000 workers who lost 10,500,000 days of work.

And last year there were 4,320 work stoppages, which cost 2,650,000 men 28,200,000 working days.

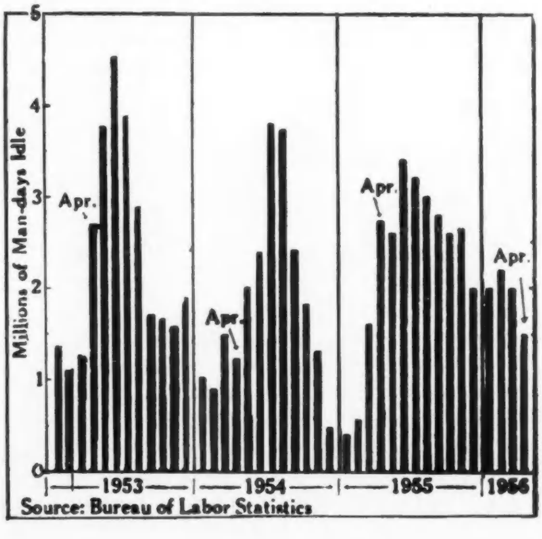
Many of these work interruptions went unnoticed because they involved concerns of only a local importance, or occurred in industries where the lost production could be made up by competing companies or in stepped-up work schedules.

It is perhaps elementary to note that each of these work stoppages is a "steel strike" in miniature. As a laboratory study, any one of them might be examined for a determination of its impact on the worker, the capital involved, or the community in which it occurred.

Conversely a work stoppage like the steel strike is the replica of these smaller crises magnified many times. It occurs where all eyes may see its immediate and related impact. The drama unfolds in public and is publicly felt. This is equally true when a strike occurs in other basic industries such as coal and railroading.

Therefore, it is no surprise that many construction projects began feeling the steel strike within a week after it started. Shortages of iron bars, structural steel and other elements brought work to an immediate halt.

STRIKE LOSSES



Hitting the Railroads

Historically, a strike is felt first by the industry's direct users and direct suppliers. In the steel strike the impact is felt first by the railroads, engaged in moving finished steel products from the mills and in bringing coal and iron ore to them. In turn, the coal producers, the iron mines and other suppliers of the elements of which steel is compounded will begin to suffer.

After that, in an ever widening circle, the steel users will feel the pinch, from the vast automobile industry and the manufacturer of radios and television sets to the producer of the simplest household gadgets.

All these uncertainties, creating as they must a sense of caution as to the immediate future of the national economy, may well be reflected in a timidity on the part of capital. In any event, industry generally is due to suffer a reduced income with resulting reduced profits and reduced dividends.

In time, when the wounds inflicted by the strike are healed, these may be made up.

This pattern is repeated in almost all strikes, be it the small independent manufacturer or such a major concern as General Motors or Chrysler or Westinghouse.

The most commonly portrayed picture is that of the impact on the strikers and on the community around them. Here the pattern is varied but the results become the same in the end. The more a city or town is part of a one-industry grouping, the more immediate and direct is the suffering.

Hitting the Worker

Even the striking worker is not of one mould. There are the provident ones who have set aside a nest egg against such contingencies as a strike or other disaster, or saved for some luxury or pleasure or investment, whose credit is good and whose prospects for future employment are promising. There are those dependent on the patience of creditors who are obliged to wait for a while for the payments due on the car, the TV, or the washing machine. And there are those who become dependent at once on union defense funds or public relief.

In smaller communities the disturbance to the purchasing power often creates a depression of serious and sometimes enduring proportions. It may achieve more or less permanence, as it did in Yonkers, N. Y., when both Alexander Smith, Inc. carpet manufacturer, the town's chief industry, and Otis

Elevator decided to move their plants because of demands.

The Westinghouse Story

Oftentimes a strike of widespread proportions will lend itself to particular dramatization in its impact on a given town. One of these occurred in Bloomfield, N. J., during the Westinghouse strike which ended this spring after five-months duration.

Bloomfield is a part of that industrial complex centered around Newark and is part of the New York metropolitan area. Westinghouse is not its sole industry since it also is the site of many smaller plants and the branches of other large corporations.

On December 1, 1955, the company, already feeling the pinch of the strike, halved the pay of supervisory employes. These white-collar workers seldom had felt the pinch of a strike before. They soon were forced to adjust themselves to half-pay on the eve of the holiday season. Christmas gifts that had been planned were deferred or eliminated. Time-purchases fell sharply.

Needed household repairs were put off. Some lower-bracketed supervisory workers were forced to seek unemployment insurance or menial jobs. Despite the tightening of belts, loan-payment deferments were sought at many banks; insurance policies were borrowed against; mortgage payment delinquencies rose.

These half-pay workers, however, were among the lucky ones. Thousands of others had to be placed on indefinite furloughs. In all, it was a sorry Christmas for Bloomfield, its workers, organized and unorganized, for its merchants and creditors.

When the strike finally was settled after five months of work stoppage, Westinghouse had failed to meet $290 million in goods orders; labor lost an estimated $100 million in wages; only time will tell what Westinghouse prestige suffered among its competitors. And these figures do not take into account losses suffered by industries depending on Westinghouse for vital production equipment.

The steel strike itself has not grown old enough to determine what its impact will be on the communities directly hit. It is too early to tell what it will cost the inndustry, the nation, the workers, or what it will do to the booming economy. Whether it will set off a spiral of inflation remains to be seen.

The workers themselves, according to the labor press, are ready to settle into a long pull. With past experience to back them up, the merchants, bankers and officials of the struck mill towns are concerned but not wholly dismayed. This time the strikers have increased confidence in the support of the other unions and of their own defense funds. But the real pinch has not yet begun to be felt.

For the most part, any history of strikes centers attention on the great ones, or on those which because of timing, the size of the industry affected, the cost to its competitive position, or the impact on local business conditions, are unique.

Farewell to Circus

History also is full of strike and labor disputes which have delivered the final blows to organizations deeply rooted in the American way of life and have fought to survive in the face of changing conditions. The most recent and most striking was the closing in mid-season of the Ringling Brothers and Barnum and Bailey Circus, "the Greatest Show on Earth." The strike was the final straw in driving this relic of earlier America from the tent in a pasture to the air-conditioned arena, where future success is speculative. It might have held out against disaster, weather, traffic, and TV, but the strike was the fatal blow.

And only a last-minute settlement saved the life of another monument of American culture, the Metropolitan Opera Co. Perhaps labor sensed the folly of closing a world-renowned institution over what, in its essence, was a jurisdictional dispute.

Death of a Newspaper

A strike at the Brooklyn Eagle, coupled with impending wage demands, zooming labor costs and rising price of newsprint put that venerable newspaper out of existence.

The first publisher to give American Newspaper Guild a union contract covering editorial workers was David Stern. He also was the first publisher to go out of business as a result of a guild strike. The union closed his Philadelphia Record and Camden (N. J.) Courier and Camden Post. New ownership now operates the Courier-Post as an evening paper, having abandoned the Morning Post. All employes were off the job for 14 weeks and only about 50% of them were rehired when the merged operation began. The Philadelphia Morning Record never reopened. Its assets and features were absorbed by other newspapers in deals which did not involve jobs for the strikers.

A general strike of newspaper workers two years ago left New York City without a local daily paper. The strikers were out several weeks, embracing the Christmas holidays. At the bottom of the trouble was a minor wage dispute affecting only a fraction of the plant workers . . . the photoengravers. The many went out in support of the few. An arbiters' award was rejected; but after thousands of lost man-hours of pay, all went back on the job for a few cents over the original offer and far below the demands on which the employes struck. In the meantime, New York City department stores saw millions of dollars in Christmas shopping business go out of the window.

Chicago had a similar city-wide strike a few years back. It was the forerunner of New York City's in major respects: The city was without newspapers. Advertisers and shoppers were victims of a war in which they had no say.

Several of the notable newspaper strikes in earlier years were called by the International Typographical Union — the printers. There has been little of that, of late. Many metropolitan papers have installed standby equipment (varitype) which eliminates the compositor or trained typesetter of the old school of linotype operation. Girls who can operate typewriters can operate these machines if the showdown comes. It would mean an absolute break with the unionized crafts in newspapers, but publishers are ready to face that, however reluctantly.

The newspaper business has furnished this example of preparedness by industry to stave off total destruction if labor-management warfare threatens such a dire consequence.

Public refusal to sit by and suffer, to give "moral support" to strikes in which the public is the innocent sufferer has been especially evident in transportation labor wrangles — street car, bus, short-line railroads. The necessities of wartime, with its rationing of vehicles, gasoline and (*Please turn to page* 631)

The Battle For OIL MARKETS

By JOSEPH C. POTTER

Leapfrog may be child's play — but not when the principals are oil companies. A marketing melee that got underway shortly after the close of World War II now is approaching a grand climax with the "name" companies hopping into territories long served by other retailers. And the annoyed hosts are returning the compliment by being unbidden guests in the interloper's bailiwick amid indications that the scramble for markets has stirred no more desire to go home than was shown by "The Man Who Came to Dinner."

And this is only one phase of the ding-dong competitive struggle for retail markets in this country. For motorists not only are going to find themselves confronted with new service stations in their home town, but new pumps. Drivers who used to find it difficult enough to make up their minds whether they wanted "regular or premium," now will be confronted with a gas-pump jockey who will be inquiring, "Regular, premium or golden?" You could be offered, even now, no less than five grades of motor fuel for your automobile tank.

Never in the 45 years since the Supreme Court dissolved the old Standard Oil trust has the industry seen anything like the bruising battle for markets that has Western companies going East, Eastern companies going West and Midwest companies spreading out in all directions. Ironically, the titans in this struggle are, for the most part, the "Standard" companies for whom the Federal judiciary staked out marketing territories back in 1911. The 1911 dissolution decree, of course, did not rule out growth through acquisition or expansion.

Thus, Socony Mobil Oil Co. (old Standard Oil of New York) was given a large chunk of the Eastern Seaboard as a marketing area under the decree, but that has not stopped Socony from selling in 43 states and the District of Columbia, helped by its acquisitions down the years, notably Magnolia Petroleum and General Petroleum. Socony gave up its rights to the "Standard" label many years ago and today it is "Mobilgas" across the board, a name it built

at considerable cost and effort.

Standard Oil Co. (New Jersey), the giant of all the Standards, invaded the area of Standard Oil Co. (Indiana) more than 20 years ago, opening service stations in St. Louis and selling gasoline under the "Esso" label. Indiana Standard filed suit on the ground that it had exclusive rights under the 1911 decree to use of the Standard label in that region. The courts upheld Indiana Standard, which is back in the courts now with similar litigation involving Standard Oil Co. (Ohio).

The Thwarted Invasion

This year, with a major shift in tactics, Jersey again has invaded Indiana's territory through purchase of Pate Oil Co., a noted distributor in the Milwaukee area. Jersey will not use its old brand name in this Wisconsin undertaking. This should preclude any likelihood of another suit from Standard of Indiana, which could hardly protest the continued use of such names as Challenge and Airglide, the trade marks of Pate products. At the same time, it can hardly find comfort in the knowledge that Jersey-owned Pate will be a stern competitor here. As for Phillips Petroleum Co., it stands to lose Pate as a customer

The "Standard" companies may be partners in multi-billion-dollar overseas ventures, but that has not stopped them from belting each other around on the home grounds. Thus, Standard Oil Co. (California), Standard of Jersey and Socony may be linked in Arabian American Oil Co. and the Iranian consortium, as examples, but all friendship ceases this side of Ambrose Light. (They compete overseas, too, once the tankers have taken aboard the oil, but that is another story.)

Invasion Of the East

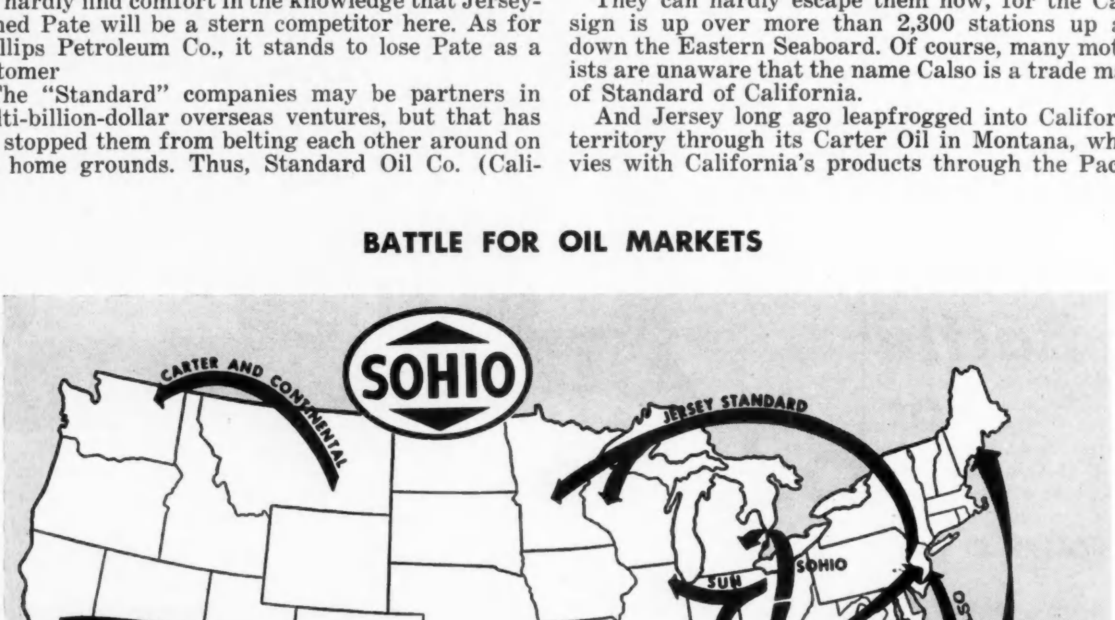
An illustration of this was provided shortly after the end of World War II, when Standard of California moved right into Jersey's backyard by acquiring a New Jersey refinery and started selling gasoline in that state and the surrounding area under the name of "Calso." Indeed, innumerable dealers in "unbranded" gasoline claimed they were selling the product under their own name.

While Standard of Jersey may have been deeply concerned by the move and the use of the name Calso, it never did take the matter into the courts. It may now wish it had, for Eastern motorists, until recent years, had never heard of, much less driven into, Calso gasoline stations.

They can hardly escape them now, for the Calso sign is up over more than 2,300 stations up and down the Eastern Seaboard. Of course, many motorists are unaware that the name Calso is a trade mark of Standard of California.

And Jersey long ago leapfrogged into California territory through its Carter Oil in Montana, which vies with California's products through the Pacific

BATTLE FOR OIL MARKETS



UTOCO

Northwest. Jersey, to be sure, gives fits to more than the "Standard" family – its Humble Oil & Refining Co. now is a factor in the New Mexico market, a stronghold of Continental Oil Co. (Del.).

Nor is the scramble confined to the scattered "Standard" family. Gulf Oil Corp., by a financial arrangement with Union Oil Co. of California, figures to become a substantial factor on the West Coast. Gulf, with a tremendous overseas stake (it was the pioneer in Arabian Kuwait), would like to find a wider market here for its foreign production. Union, on the other hand, is hampered by lack of reserves to meet the growing demands of the prime Pacific Coast market.

Phillips, where aggressive marketing and courageous enterprise are a hallmark, expanded from its Southwest home grounds a couple of years to become a factor in the Florida gasoline and oil market. There is a good deal of talk that Phillips eventually will invade the super-rich New York territory.

Sunray Mid-Continent Oil Co. (growing out of the merger last year of Sunray Oil Corp. and Mid-Continent Petroleum Corp.) is expanding into areas of Arkansas and Tennessee through its D-X Sunray. The region long has been a Jersey stronghold.

Standard Oil Co. (Ohio) is another member of the old "Standard" family that has begun to move beyond the confines of the state from which its name is derived. No longer satisfied with being the top marketer of Ohio, it has small stakes already in such states as Kentucky, Indiana and Michigan. While the court decree of 1911 fixed the regions in which the split-up companies could operate under the "Standard" name, Ohio Standard contends that Sohio (its trade mark) does not mean "Standard Oil." Standard of Indiana, always touchy about any competitor in its bailiwick seeking to exploit the "Standard" label, has gone into a court fight. Sohio, of course, recalls the successful fight of Indiana against Jersey in 1935. It also realizes that the price of winning acceptance for a new trade mark would be extremely expensive. Whatever the outcome of this legal squabble, one thing is sure – Standard of Ohio is going to move beyond the boundaries of that state on a major scale.

Why They Move Around

The current-day expansive mood that grips the major marketers of petroleum products stems from normal economic processes. The oil companies are filled with the wanderlust because they have grown rapidly in product and refining facilities. Such companies as Jersey, California, Socony and Gulf, to cite but a few, constantly are seeking new outlets for their growing crude production, foreign and domestic. They have the product, hence it is only natural that they should try to expand their markets.

If the process entails, as it now does, stepping on toes of other giants, then that's an unfortunate coincidence. As in any other business – manufacturing, mining, retailing or farming – a business grows or stagnation sets in. Stagnancy is no part of the philosophy of the competitive-minded men who head up the marketing divisions of the major oil companies. And they are shooting at a market of 50 million passenger cars, in contrast to the 200,000 that traversed dirt roads in the days when Standard Oil was a trust.

The Price of Price Wars

Invasion of markets has bred innumerable price wars clear across the country. The entry of Standard of California into New Jersey was a prime factor in the fiercest price war of all. Competition was severe enough without its presence, since New Jersey blessed with a tremendous complex of refineries and some of the heaviest highway traffic in the nation, had no shortage of suppliers. At the height of the war, gasoline in New Jersey often sold for little more than half the retail price that prevailed in neighboring New York.

Right now, New Jersey's western neighbor is the site of price-cutting. Atlantic Refining Co. (old Standard of Pennsylvania) has reduced its "fair trade" retail price throughout Pennsylvania by 1 cent a gallon. The reduction, in effect, restores Atlantic's prices in the state to the level prevailing before July 1. At that time prices rose automatically by 1 cent as a result of the penny-per-gallon Federal tax increase. Atlantic was only meeting price cuts of the competing companies.

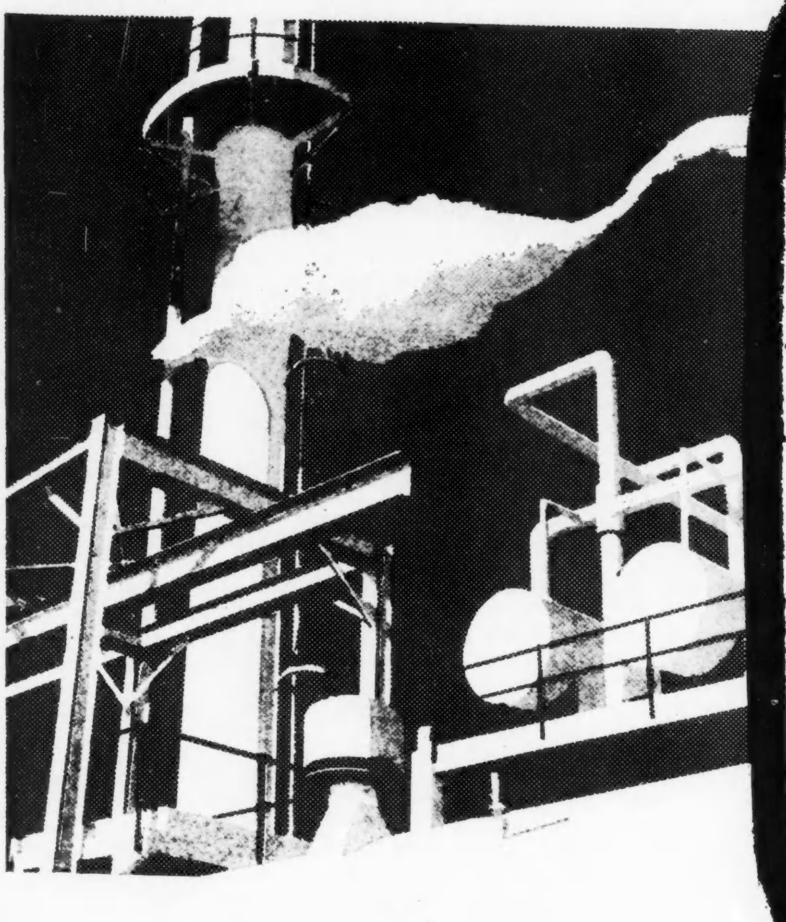
There is no little concern within the oil industry that the price-cutting in Pennsylvania may be extended to other regions. A price break in gasoline could very well come unless production is cut back sharply, or demand suddenly spurts. There is a belief that gasoline stocks this summer are about 15 million barrels too high for comfort. Usually, stocks of gasoline dwindle at this time of year – height of vacation travel and weekend driving. This year, stocks are about 20 million barrels higher than a year ago with inventories totaling some 178 million barrels. Hence, the prospect of a price war on a widespread scale is by no means ruled out.

While the oil companies inevitably feel the profits pinch arising out of such wars, retail dealers in these products have been the major sufferers. Hundreds of gasoline stations in New Jersey and elsewhere have folded, although not a few have thrived. This has lead, of course, to all sorts of proposals to legislate price wars out of existence. They have ranged from proposals in state legislatures to put gasoline under public-utility regulation to municipal ordinances that would outlaw large signs. Big signs always have been used to lure the motorist with offers of cut-rate gasoline prices.

While the oil marketers do not relish price wars, which they consider downright destructive, they are strongly opposed to any attempts to legislate competition out of existence. As for the consumer, it does not call for a Gallup Poll to establish his pleasure at this kind of warfare. He is the major beneficiary.

The Offshoots Fare Well

While the Federal judiciary could not have foreseen the kind of vigorous competition that would one day grow out of the dissolution of old Standard Oil, there is no doubt that the breakup did nothing to halt the growth of the scattered offspring. In 1911, the year of the court (*Please turn to page* 625)



What 2nd Quarter Earnings Reports Reveal

PART I

By

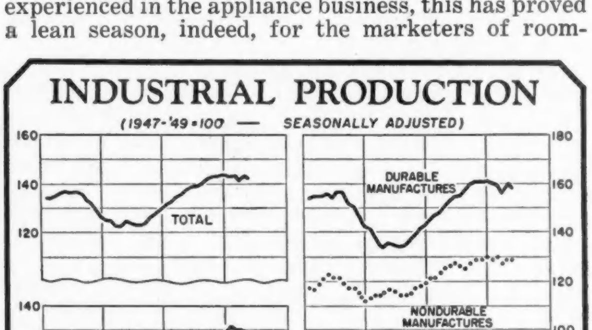
Richard Colston

If the corporate earnings for the second quarter of 1956 had to be summed up in a single word, it would be difficult to find a more fitting title than "Divergent." In a few industries, notably steel, paper and tobacco, earnings were almost uniformly good, using the like period of 1955 as a comparative basis. Yet even here there was divergence, however small.

Thus, diverse results prevailed not only from industry to industry, but from company to company. As a case in point, much is made of the considerable decline in passenger-car production from the lofty level of 1955, yet the leader in this field, General Motors Corp., continued to fare almost as well in the second quarter of 1956 as it did in the similar period of 1955. Ford Motor Co., the runner-up, and Chrysler Corp. showed a considerable drop, while the so-called independents continued to operate at a loss.

Mixed Appliance Picture

Since it is spread over far more companies and has a greater product mix, the crazy-quilt pattern prevailing during the second quarter in the appliance industry is even more revealing of the divergent trends within the economy. Price-cutting in such products as room air-conditioners and television sets has caused innumerable small companies (and some big ones that took these products on) to fall by the wayside. In the midst of the greatest sell-out ever experienced in the appliance business, this has proved a lean season, indeed, for the marketers of room-



coolers. Prices, cut early in the season, have not rebounded, adding up to a near-profitless prosperity.

The profits squeeze has pinched other segments of the appliance industry, which has had to cope with rising materials-labor costs and scant opportunity to offset these burdens with higher prices.

Appliance competition is extremely bitter, marked by growing casualties. To offset declining sales and mounting inventories, the better-financed companies have turned to increased advertising and promotion, plus price-cutting and giveaways. The less fortunate have quit the business or sought survival through consolidations.

GE Outperforms Industry

Nevertheless, top-ranking General Electric had an excellent quarter, made the more remarkable for the fact that its defense business lagged. GE did not raise prices of its appliances—indeed, it effected price cuts. Boosts on a few products were made in the third quarter. The answer to its success is to be found in higher volume, overhaul of organization, increased efficiency and modernity of facilities.

But GE was the exception in the appliance field—hardly the rule. In textiles there were even fewer exceptions. The traditionally fierce competition of that feast-or-famine industry was heightened by the rising tide of Japanese imports into this country. For many domestic producers of textile products, profits margins, previously none too robust, shrank anew and, in not a few cases, deficits were in evidence. The trade was feeling the rise in the minimum wage, decreed by Congress, which put a floor of $1 hourly under labor. Japanese manufacturing costs give that country an immense advantage. Its workers receive but a fraction of the American figure.

Sensitive commodities, as another example, remained in the doldrums despite much talk of inflationary pressures. Non-ferrous metal prices were in a downtrend after a long upswing.

The Over-all Picture

While there was no dearth of trouble spots, viewed in the large, business continued at its boom peak. Indeed, the economy soared to another record level, a seasonally adjusted annual rate of $408.5 billion, in the second quarter. This new top for the gross national product represented a rise of $5.1 billion from the initial quarter and topped the 1955 second quarter by $21.1 billion. The latest rise in the annual rate of the GNP was the largest quarterly increase since the $9.4 billion rise to a $396.8 rate in the third quarter of 1955.

Consumer spending, for the second quarter of this year, was at an estimated annual rate of $264.3 billion, up from $261.7 billion in the first quarter. Consumer spending, in the second quarter of 1955, was at a $251.8 billion annual rate.

Cash dividends paid by corporations, at the close of the quarter, were running 17% ahead of the 1955 showing. And as the quarter drew to a close a record total of 66.5 million civilians were gainfully employed. Indeed, June was the first month in which employment surpassed the previous peak of 65.5 million attained in August of 1955. Retail trade showed improvement.

While the country-wide strike of steelworkers did not come off until July 1, conditions within the industry, nevertheless, had a sizable impact on the second quarter. It was obvious to business people many months ago that the steelworkers were going to get wage-and-benefit (*Please turn to page* 624)

Quarterly Sales, Profit Margins and Earnings of Selected Companies*

	Second Quarter 1956			First Quarter 1956			Second Quarter 1955		
	Net Sales (Millions)	Net Sales (Millions)	Net Sales (Millions)	Net Profit Margin	Net Profit Margin	Net Profit Margin	Net Per Share	Net Per Share	Net Per Share
Allegheny Ludlum Steel	$ 79.	5.7%	$1.21	$ 74.8	6.1%	$ 1.23	$ 63.2	6.3%	$1.16
Allied Chemical & Dye	175.6	7.2	1.33	166.0	7.6	1.32	168.7	8.7	1.62
Allis-Chalmers Mfg.	153.7	4.0	.74	140.6	4.1	.71	140.7	4.7	.82
American Airlines	76.1	9.0	.87	64.0	4.5	.35	68.1	8.9	.77
Barium Steel	28.8	5.0	.44	27.2	5.4	.44	19.0	.5	.03
Buffalo Forge	7.9	5.1	.62	6.5	5.0	.50	6.2	4.8	.46
Barker Bros.	11.1	1.40	.37	8.2	2.1	.43	7.2	1.6	.27
Continental Can	200.2	4.7	1.20	155.7	3.3	.63	171.6	4.1	1.90
Douglas Aircraft	252.1	3.1	2.08	201.0	2.6	1.38	221.0	3.0	1.78
Chicago Corp.	19.9	11.0	.53	18.7	12.4	.56	15.8	9.6	.36
General Foods	239.3	5.3	1.09	......	......	......	220.0	4.8	.88
General Tire & Rubber	99.4	1.7	1.01	83.5	2.7	1.40	75.6	2.4	1.14
General Electric	1,012.5	5.7	.67	946.5	5.8	.63	842.0	6.6	.64
Gillette Co.	54.2	14.6	.85	48.7	17.0	.89	44.3	16.1	.78
Hercules Powder	67.2	7.7	.63	57.4	8.0	.55	63.1	8.0	.61
Johns-Manville	82.7	9.5	1.23	64.7	6.4	.64	75.5	8.7	1.02
Lorillard Co.	51.7	2.3	.36	47.1	2.4	.33	60.4	2.2	.41
Mack Trucks	66.4	5.2	1.84	60.2	3.8	1.27	49.1	4.0	1.10
Minneapolis-Honeywell Reg.	66.7	7.6	.77	58.2	7.7	.69	58.0	6.1	.55
St. Regis Paper	86.2	7.0	.86	81.5	7.7	.95	67.4	8.0	.80
Scott Paper	66.6	8.5	.70	66.8	8.7	.72	62.4	8.8	.68
Sylvania Electric	71.8	4.2	.62	83.3	4.0	.55	64.7	4.4	.61
Underwood Corp.	21.1	d.5	d.15	20.6	.7	.20	19.7	2.8	.73
Union Carbide & Carbon	308.0	11.0	1.16	309.9	11.7	1.24	291.2	12.0	1.22
Westinghouse Air Brake	64.9	5.6	.86	48.2	5.2	.61	42.8	4.0	.42
White Motor Co.	59.8	3.5	2.04	52.7	2.9	1.47	46.3	3.9	1.78
Wrigley (Wm.) Jr.	24.0	12.2	1.49	20.8	13.5	1.43	22.6	13.3	1.53

*Figures adjusted for stock splits and stock dividends

(d) Deficit

Inside Washington

By "VERITAS"

RESEARCH has been given more money but no higher standing in the Pentagon's table of organization. Defense Secretary Charles E. Wilson raised no question as to the need for an additional funds for this work when Congress added it to the Administration-favored bill, but he balked on creation of new offices in each of the three branches – Assistant Secretary for Research. He said they weren't needed and would break the chain of command. Ike gave indorsement in Reorganization Plan No. 1 last month. But Wilson held out against it and a Democrat-controlled Senate committee agreed with him.

WASHINGTON SEES:

Looking back over the Congressional session and seeking to appraise its performances, one of the surprising facts that bobs up is the large degree of bi-partisan support the White House received across-the-board.

Ike managed to get along with Capitol Hill better than the most sanguine of his official family had predicted, or hoped. With both Houses controlled by the opposite political party it is clear that he could have accomplished nothing legislatively if party lines held. President Eisenhower was reversed more in the session just ended than he was in his first two years, but the reason wasn't always a solid front of Democratic party opposition.

On the fiscal side, the President may put the two-year sitting-down as a success. The Democrats did not cut Federal income taxes, as they had threatened to do. And they refrained from sponsoring "pork-barrel" legislation, which would give the individual members credit at home but blame the Administration for the cost. Democratic leadership saw to it that he received all he asked, and more, for defense; while foreign-aid funds were reduced, it was Democrats who fought to stave off still further cuts while GOP strength was out to defeat Ike.

SUPREME COURT will be interested to know that it has a militant defender against attacks on the high tribunal, waged mostly by angry Congressmen who don't like the anti-segregation decision. It was hardly to be expected that crusty John L. Lewis and his United Mine Workers would have kind words for the entity that upheld two huge union fines for contempt of court. But striking directly at the interpositionist move, the UMW said: "The Supreme Court probably never will satisfy all of our citizens that it is right. If it did or tried to do it would be playing politics. And it is quite clear that such a court would mean downfall of our three-cornered system of government."

NEUTRALITY in the partisan political warfare is claimed by Americans for Democratic Action: neither party is good! Joseph L. Rauh Jr., chairman of the national association, made up principally of lawyers of professed liberal viewpoint toward government, and vigilant guardian of what it professes to be civil rights, conceded that few Republicans have, or are likely to get, indorsement in the national election. That doesn't mean, Rauh assured, that ADA is sold on the Democrats. "I don't feel the Democratic party is in essence and fully a party of liberalism. It can be more liberal than another, and not measure up."

APPARENT purpose of announcement that hearings will be conducted in the last week of the session by the House Public Works and Resources Committee is to place on the record, and in the headlines, the title of the subcommittee – in itself an indictment: "To determine whether or not there is an organized effort on the part of the private power companies to influence the Federal Administration, the Congress, the governments of the States and the political life of the Nation." This accomplished, the hearings recessed subject to the chairman's call.

As We Go To Press

Four years ago the nation laughed the Brannan Plan for agriculture out of existence. Now the conservative leader of the farm bloc in the House, Rep. Clifford Hope of Kansas, predicts: Congress eventually will adopt a modification of the so-called Brannan Plan for many farm commodities. Hope is retiring from legislative service, after 30 years in Congress. For two decades he has been the dominant personality in farm discussions although his ideas didn't always become law. But his advice as he leaves Washington will carry weight in next session. And it is based on his analysis that the Administration's flexible-support plan is "no solution" and hasn't worked.

That's a crushing comment from the man Ike prevailed upon to seek re-election two years ago and wanted to run again this year. Hope desires a two-price plan made effective on wheat, cotton, possibly other crops. And he predicts it will come to pass in the export field. As for the Brannan Plan of farm-income protection, Hope said: "I don't think it makes any difference who is Secretary of Agriculture or what party is in power – we're coming to it."

Giveaway Government isn't as simple as it sounds. The Federal government has $26 million it would like to pay out to the 130,000 ex-service men who own it. It's what remains unclaimed of the $2 billion in Armed Forces Leave Bonds issued to reimburse World War II veterans for unused leave. The Government has enlisted the aid of veterans' organizations in search for beneficiaries.

Congress made almost no progress during 1956 session on customs, tariffs and trade agreements. But a mountain of material and written argument has been accumulated and it is being turned over to a special committee, headed by Rep. Hale Boggs, of Louisiana, for study. During recess the committee will conduct investigation and will study all aspects of nation's trade practices. The work has been entrusted to the committee staff. Members of Congress will be busy electioneering next four months.

In the larger field of foreign economic policy, President Eisenhower has selected an old White House favorite, Clarence B. Randall, as special assistant to break down the problems and suggest cures. His mission is to devise means to meet the challenge of the new Soviet economic activities in underdeveloped nations. Mr. Randall will combine with his new job, duties of the chairmanship of the Council on Foreign Economic Policy. Hinting expansion in scope and importance of the assignment is the fact that the appointee will attend Cabinet meetings and sessions of the National Security Council. A former president of Inland Steel Co., Mr. Randall has distinguished himself in advocacy of reciprocal trade agreements.

Eisenhower again has won his fight against the Bricker Amendment, which has as its purpose curbing the Executive's treaty-making power. Last year victory was by outright rejection; this time it was by enactment of a measure which merely calls for submission of executive agreements to the Senate. The move was a sop to Bricker. Actually it adds one step to the ministerial process of recording agreements made with foreign countries without the "advice" of the upper house of Congress.

The purposes of the Bricker Bill appealed to millions of citizens. Few propositions before Congress had such an ardent and persistent lobby. It was freely stated on the floor that much of the support came from persons who didn't know what the bill provided. One of the arguments most frequently heard was that the Bricker measure was needed to prevent laws of foreign countries from being superimposed on local statutes here. The unconstitutionality of such a treaty seems not to have been considered. The Senate's action is objected to by the State Department. It will require disclosure of exact site of American bases on foreign soil, among other things. Hint has been made that the Department may treat the provision as beyond Constitutional powers of Congress and ignore it.

▶ Out of 250 rental housing corporations asked to supply cost data to the FHA on an effort to determine whether mortgages insured by the agency have exceeded actual land and construction expenses, virtually all have made satisfactory replies, the agency says. The information is vital to the program of probing for "windfall" profits and legal action to force return of the money to the Treasury. Some of the companies held out. They'll be warned if they remain recalcitrant the Government will take control of the projects as permitted by the FHA ownership of first preferred stock.

▶ Admiral Radford's denial that he has proposed immediate sweeping cuts in military manpower came as calming assurance to Capitol Hill. The chairman of Joint Chiefs of Staffs made it clear that published reports stretched the meaning of staff reports, made them appear to be accepted recommendations. Confirmation of the rumor would have meant that the Budget Bureau was running the Pentagon, say "strong defense" Congressmen.

▶ In spite of the Radford disavowal there is proof apparent of a strong trend toward greater reliance on nuclear and air weapons and less on foot soldiers. These evidences point to the belief of military men that future wars will be short and destructive. Military thinking, as gleaned from statements and speeches emanating from the Pentagon, bases on disappearance of conventional weapons from the big-war picture. If armed conflict comes, it is reasoned, a nation not armed to the teeth with hard and fast striking power will be annihilated.

▶ Only benefit suggested in manpower reduction is the obvious saving in costs. Desirable but not essential: Before Korea it was accepted as fact that $15 billion, or even $12 billion, represented the ultimate in the country's capacity to arm and stay strong. Today's expenditure is planned at nearly three times that figure. For the first time, the military arms are in the position of rejecting, not pleading for, funds.

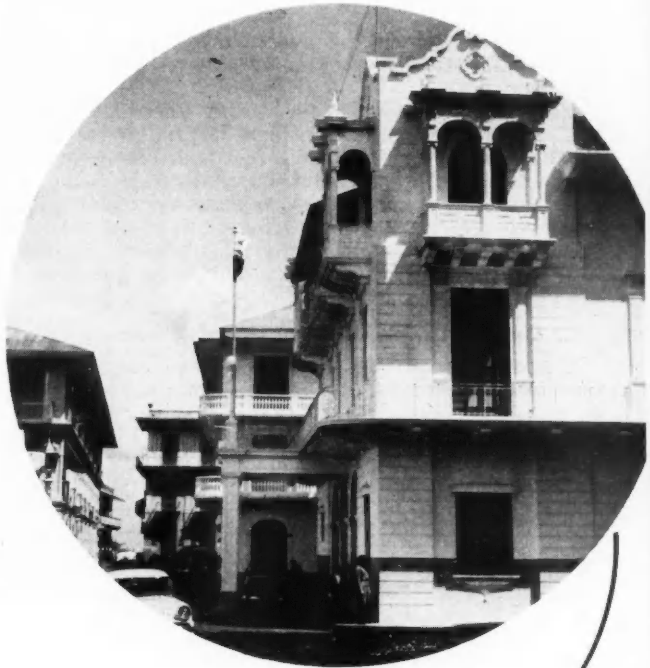
▶ Construction is sharing the business boom, in a big way. The preliminary estimates prepared jointly by the Departments of Commerce and Labor showed the value of new construction put in place rose seasonally in June to $4 billion. This was above the $3.9 billion record for June, 1955. For the first six months of this year construction activity amounted to an all-time high of $20 billion, 2% above the figure reported for the first half of 1955. On a seasonally adjusted basis, outlays thus far in 1956 (through June) were at an annual rate of nearly $44 billion, $1 billion ahead of last year.

▶ Veterans' organizations appear to have overplayed their hand and defeated this year's move toward improved benefits for ex-service men. They rejected the leadership of the House Veterans Committee Chairman and of the "GI General" Omar Bradley. By placing the price tag too high, they made it impossible for Congress to buy. Rep. Olin Teague, who heads the vets committee, cautioned moderation. His committee didn't go along and the result was a bill with many wrinkles and much expense to the taxpayer.

▶ While Congress has been griping about the Supreme Court moving into its Constitutional territory, it did not hesitate to trespass on the domain ceded to the Executive Branch by the organic law. The $2 billion military construction bill proved too attractive from a "pork barrel" viewpoint to resist. It has happened before. The President placed the obligation of preserving co-equal branches above the harm that might come from ruffled feelings, and he vetoed the measure. The effect of provisions earmarking funds in a manner which determined base policy would be to divide Executive authority. The Secretary of Defense is responsible to the President even if he is answerable to Congress.

▶ The wrangle might appear to mean little to the average citizen. It might be reasoned that Congress appropriates the money and should determine where it will be spent. But in this instance, the lawmakers wrote into the bill a specific requirement that money for the Talos anti-aircraft missile shall be withheld until the Secretary of Defense shall have come into agreement on details with the armed services committees of Senate and House. They, laymen in the military field, would have veto power over the professionals at the Pentagon. The President clearly thought the taxpayers would prefer professional decisions.

Our Trade Investments and Relations with *Latin America*



By JOHN H. LIND

Hemispheric solidarity is like patriotism. Everybody is for it, nobody knows quite what it is and on special occasions its virtues are publicly affirmed. For the Americas, the equivalent to our Fourth of July was the weekend of July 21, when the presidents and presidents-elect of 19 American republics met in Panama.

The chiefs of state of all member nations of the Organization of American States—the former Pan-American Union—with the exception of Colombia and Honduras came to the gathering which was held in the same place where Simon Bolivar had convoked the first such meeting just 130 years ago. The central figure of the whole affair was, of course, President Eisenhower, both because he represents a country which contains almost as many people as the 20 Latin republics put together and also because this was his first outside activity since his recent operation and thus an important measure of his recovery. For the strains of the trip, the speech, the many meetings and public ceremonies were such that no really sick man could have stood them as well as he apparently did.

But there was a great deal more to the meeting than the glitter of state banquets and the public display of 19 Chief Executives. For hemispheric solidarity does have meaning. It is not just pompous talk about good-neighborliness or a time-worn reaffirmation of the Monroe Doctrine.

Economic Handicaps Cited

In many ways Latin America is similar to the underdeveloped countries of Asia and Africa. It has the same economic handicaps of having to rely mainly on the sale of primary raw materials and agricultural commodities to the world's industrialized countries which—with some notable exceptions—need fewer and fewer of these commodities in relation to their own rising output of manufactured goods. It has a population increase unequaled by any other area in the world and it is faced with the same pressure of teeming masses of people who have only very recently learned that abysmal poverty,

Single Commodities Dominate Economies

Country	Commodity	% of total Exports
Bolivia	tin	60
Colombia	coffee	84
Brazil	coffee	59
El Salvador	coffee	86
Cuba	sugar	80
Ecuador	bananas	56
Honduras	bananas	52
Panama	bananas	76
Uruguay	wool	57
Chile	copper	58
Venezuela	petroleum	94

a high death rate and the arbitrariness of rulers need not be fatalistically accepted as a cross which must be borne.

Yet it is the world's one major underdeveloped region where *Communism* and its fellow-traveler Neutralism have not gained a foothold. When we see what inroads the Soviet bloc currently is making in all other undeveloped areas we may appreciate the fact that in 1954 the 20 countries south of our border signed a unanimous declaration of solidarity against international Communist intervention in the Western hemisphere.

Communism Blocked by Interdependence

There are many reasons why there are no pro-Communist governments in Latin America today but perhaps the most important is the overwhelming economic interdependence between Latin America and the United States. As the chart below shows, 45% of Latin America's $7.3 billion import trade and 42% of its $7.9 billion export trade were with the U. S. last year. This interdependence between the two areas has grown sharply since the pre-war period, when the U. S. accounted for only about one-third of Latin America's foreign trade. True, in the last few years our dominant position has been challenged by Western Europe and Japan, which now account for 26% of Latin America's imports but they have still not even regained their pre-war share of Latin American trade and are certainly nowhere near supplanting us as the area's major buyer and seller.

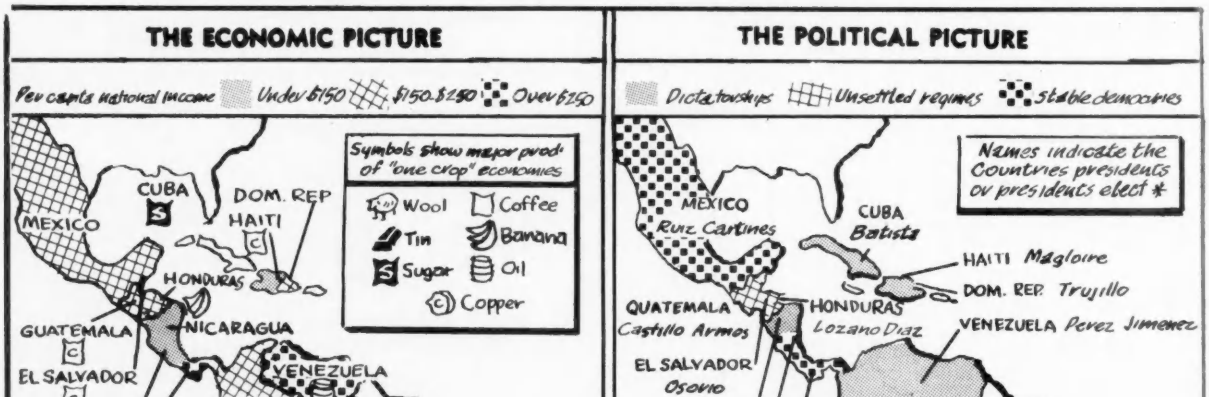
For the United States, trade with Latin America does not quite take the same importance but 23% of our exports and 29% of our imports were with Latin America last year. This made the region our third most important export area and maintained its position as our foremost source of imports. The following list suggests the importance of Latin America in supplying some of our demands:

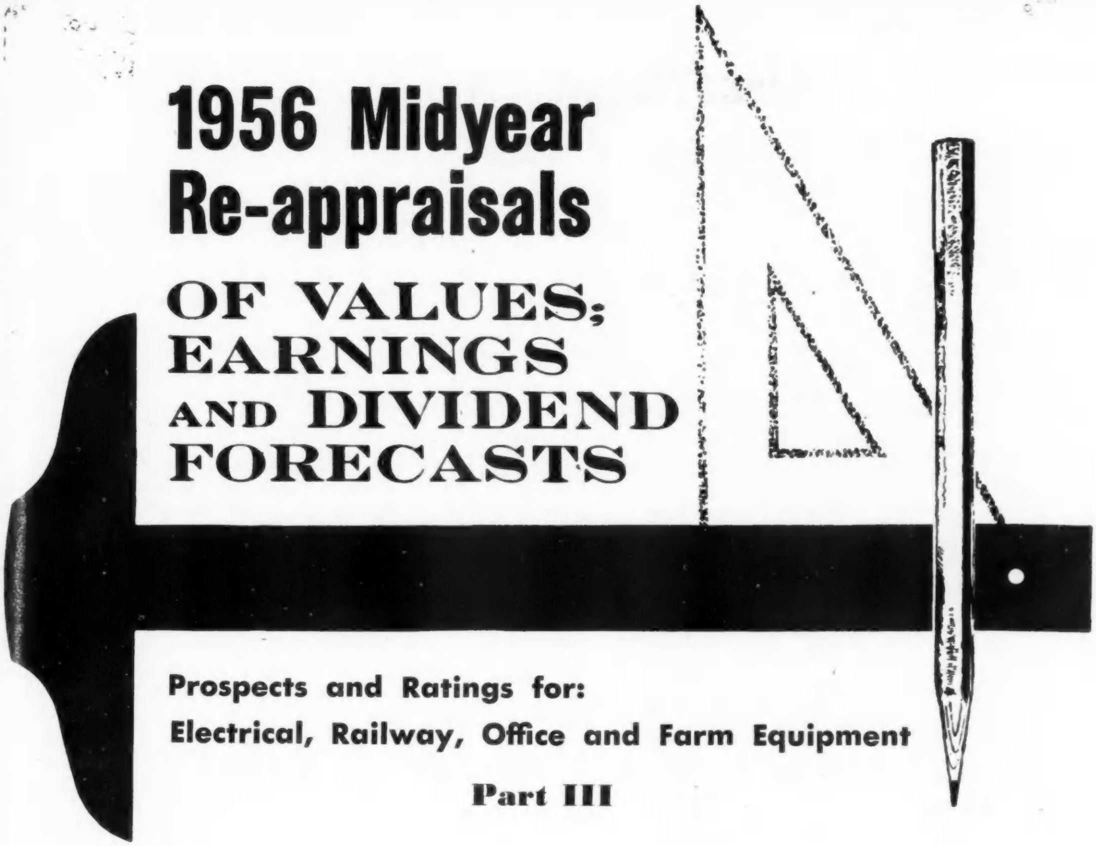
Imports from Latin America as % of Total U. S. Imports (1955)

Bananas	100%	Cocoa	56
Coffee	91	Copper	52
Cane Sugar	74	Petroleum	54
Sisal	58	Iron Ore	44

Equally important as foreign trade is the interdependence in (*Please turn to page* 628)

LATIN AMERICA — AT THE TIME THE PRESIDENTS MEET AT PANAMA





1956 Midyear Re-appraisals

OF VALUES; EARNINGS AND DIVIDEND FORECASTS

Prospects and Ratings for:

Electrical, Railway, Office and Farm Equipment

Part III

The somewhat mixed showing made by business in the first half of this year seems likely to be duplicated in the second half. That is to say not every industry will perform from here on out as in the first six months, but rather that there will be no uniform action within the economy.

Figures, such as the Commerce Department releases, showing personal income running at a record annual rate of $317 billion are highly encouraging, but the fact remains that there is something less than universal sharing of the general prosperity. Thus, to an automobile worker, who has been laid off because of a 25% cutback in passenger-car output, these times are something less than prosperous. And to a textile manufacturer, whose business volume hovers around an all-time high while net profits slide amid punishing competition, the boom is somewhat remote. There are other examples, many of which will be cited in a series of issues.

Much the same holds true, of course, for the investment fraternity. An investor may find it highly interesting to learn that cash dividend payments by corporations rose during the first six months of this year, an increase of 17% from the corresponding period of 1955, which was a banner year. Still, it is small source of comfort if the investor owns shares in a company which has failed to keep in step with the parade.

Indeed, the investor, in estimating dividend prospects, would do well not to raise his expectations indiscriminately merely because the general dividend trend is upward. He would do well to limit himself to an exploration of dividend possibilities among those companies with a steadily widening margin of earnings over dividends and which have not yet taken action to raise their dividends. It also is wise, from the investment standpoint, to recognize that a minority still is in uncertain position, which can lead to unfavorable action.

In the third instalment of the series, appearing in this issue, we assay the electrical-electronics industry complex and the manufacturers of railway, office and farm equipment. Each of these surveys is accompanied by statistical tables and commentaries. Ratings, as usual, have been attached to each of the stocks.

As a further assist to the reader, there will be found, where it is warranted, a symbol indicating the issue is of a kind that should be retained for long-term investment or having above-average appreciation potential.

Remaining instalments will appear in successive issues.

Industries Featured in Mid-Year Forecast

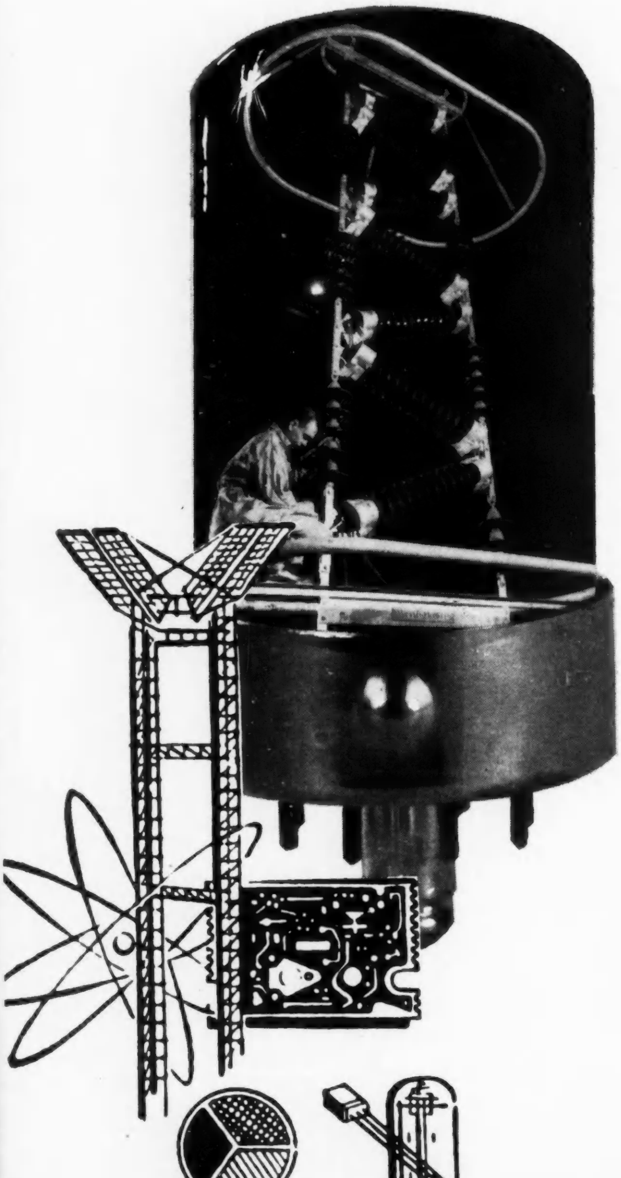
— in six consecutive issues of The Magazine:

Railroads — Merchandising — Textiles — Food & Dairy — Sugar — Beverages — Tobacco — Rail, Elect., Farm, Office Equipments — Building — Machinery — Specialties — Steel — Auto & Tires — Accessories — Aircraft — Airlines — Bus & Truck — Shipping — Metals — Petroleum — Chemicals & Drugs — Paper.

Mixed Prospects For

ELECTRONICS– TV–ELECTRICAL PRODUCTS

By GEORGE L. MERTON



When you read of preparations for an international race of man-made moons around the globe, you cannot help but marvel over the strides achieved in electronics in an extraordinarily short time. You gain strong convictions at the same time that this dynamic industry offers unusual potentials for growth in many directions. Moreover, as you consider the dependence of atomic energy on electronics you realize that this new science plays a major role in national defense. It is little wonder then that electronics as an industry is ranked with chemicals as a dominant growth category.

In looking more closely at the broad picture, however, one realizes that many prosaic, commonplace activities grouped under the heading of electronics have reached a stage of maturity that removes any touch of glamour. A great variety of components and electrical appliances, for example, can scarcely hope to participate in exceptional gains except as population grows. In reviewing the many companies that claim representation in electronics, therefore, it is necessary to discriminate carefully to gain a proper perspective. It can not be said, for example, that the outlook is especially promising for the entire industry.

Broad Scope of Operations

A brief consideration of the broad scope of operations covered will make this observation clear. Everyone knows that production of household appliances—such as television sets and radios, washing machines and refrigerators, toasters and vacuum cleaners, etc.—has become so active and keenly competitive that profit margins have all but disappeared except for the most progressive manufacturers. On the other hand, military requirements have introduced marvelous new gadgets that can analyze and compute intricate factors and solve problems faster than a mathematical wizard can think. These difficult-to-build units command premium prices and afford their producers excellent profit margins. In between these extremes can be found a wide range of electronic products contributing to consumer needs that yield modest profits under normal conditions.

Since it is impossible to generalize in a survey of this kind, so far as the electronic group is concerned, it may be well to examine various sections of the industry at a time. As has been customary in this series, the radio-TV industry — which has skyrocketed to pre-eminence—has been separated for special comment. It may be noted that in the accompanying tabulation of statistical information and brief remarks on individual companies the segregation of

Position of Leading Electronic & Electrical Equipment Companies

	Full Fiscal Year — Net Sales 1954 (Millions)	Net Sales 1955 (Millions)	Net Profit Margin 1954 %	Net Profit Margin 1955 %	Net Per Share 1954	Net Per Share 1955	1st Quarter — Net Per Share 1955	Net Per Share 1956	Dividend Per Share Indicated 1955	Dividend Per Share Indicated 1956	Price Range 1955-56	Recent Price	Div. Yield
ALLIS CHALMERS MFG. W.C. (mil.) '54—$263.7 W.C. (mil.) '55—$258.9	$ 492.9	$ 535.1	5.2%	4.6%	$3.60	$3.02	$ .74	$ .71	$2.00	$2.00	40½-30⅝	37	5.4%
AVCO MFG. W.C. (mil.) '54—$89.0 W.C. (mil.) '55—$80.8	375.4	299.3	.9	.3	.37	.05	.03[2]	[d] .01[2]	.20	......	8¼- 5½	6	....
BLACK & DECKER W.C. (mil.) '54—$15.7 W.C. (mil.) '55—$17.8	35.1	43.3	8.0	8.5	3.08[1]	4.10	1.87[4]	2.45[4]	.95	1.20	45½-24¼	43	2.8
CARRIER CORP. W.C. (mil.) '54—$47.4 W.C. (mil.) '55—$68.0	200.9	190.0	4.5	4.5	4.84	4.82	2.09[7]	1.61[7]	2.25	2.40	64¾-48	59	4.1
CUTLER-HAMMER W.C. (mil.) '54—$15.5 W.C. (mil.) '55—$19.1	54.2	61.6	7.5	9.1	6.20	8.53	.74	2.91	3.60	4.00	112¼-73	111	3.6
DAYSTROM W.C. (mil.) '55—$12.3 W.C. (mil.) '56—$18.7	73.8[3]	63.2[3]	2.3[3]	2.8[3]	2.61[3]	2.01[3]	......	......	1.15	1.20	32½-22	25	4.8
ELLIOTT CO. W.C. (mil.) '54—$18.3 W.C. (mil.) '55—$17.7	39.0	32.4	4.4	3.1	2.67	1.38	[d] .01	.78	1.00	1.00	31⅞-20¼	25	4.0
GENERAL ELECTRIC W.C. (mil.) '54—$310.0 W.C. (mil.) '55—$288.3	2,959.1	3,095.4	6.1	5.7	2.30	2.31	1.24[8]	1.30[8]	1.60	2.00	65 -46¼	62	3.2
GEN. PRECISION EQUIP. W.C. (mil.) '54—$41.4 W.C. (mil.) '55—$50.6	123.3	133.3	4.4	1.9	5.54	2.05	.50	.20	2.40	2.40	71½-36½	42	5.7
INT. TEL. & TEL. W.C. (mil.) '54—$180.5 W.C. (mil.) '55—$200.0	423.8	502.7	5.3	5.2	2.80	3.21	.73	.77	1.20	1.80	37⅜-23¾	33	5.4
MASTER ELECTRIC W.C. (mil.) '54—$6.8 W.C. (mil.) '55—$6.7	18.6	21.3	7.2	6.4	2.24	2.25	.48	.70	1.60	1.20	26½-19⅞	21	5.7
MAYTAG CO. W.C. (mil.) '54—$19.4 W.C. (mil.) '55—$18.0	81.0	93.0	8.3	6.7	3.68	3.51	1.32	1.29	2.25	2.25	35¾-25⅞	30	7.5
McGRAW ELECTRIC W.C. (mil.) '54—$34.2 W.C. (mil.) '55—$42.7	132.8	142.5	7.0	6.7	4.59	4.51	1.05	1.50	2.00	2.00	71¾-45	70	2.9
MINN. HONEYW'L REG. W.C. (mil.) '54—$82.4 W.C. (mil.) '55—$86.1	229.4	244.5	6.6	7.8	2.42	2.99	.59	.69	1.50	1.60	87¾-58	86	1.9
RAYTHEON MFG. W.C. (mil.) '54—$29.3 W.C. (mil.) '55—$31.8	182.3[9]	175.5[9]	2.5[9]	.7[9]	1.72[9]	.45[9]	......	......	stock	......	25¾-13⅝	14	....

W.C.—Working Capital.
[d]—Deficit.
[1]—Adjusted.
[2]—6 months ended May 31.
[3]—Fiscal years ended March 31, 1955 and 1956.
[4]—6 months ended March 31.
[5]—52 weeks to March 26, 1955.
[6]—53 weeks to March 31, 1956.
[7]—6 months ended April 30.
[8]—6 months ended June 30.
[9]—Fiscal years ended May 31, 1955 and 1956.

Allis-Chalmers: Production of apparatus for public utilities becoming increasingly important, but farm machinery remains dominant activity. Road-building equipment growing. Earnings in uptrend. A1

Avco: Output embraces wide range of products channeled primarily to consumer industry. Keen competition in appliances tends to limit profit margins. Outlook for earnings recovery doubtful. D

Black & Decker: Leading manufacturer of electrically-driven hand tools and allied products finding expanding market in "do-it-yourself" activities. Despite competition, earnings outlook good. B1

Carrier: Steady expansion in air-conditioning uses points to vigorous growth for this leading manufacturer of broad line of products. Downtrend in defense orders tending to retard earnings gains. B1

Cutler-Hammer: Extraordinary boom in industrial plant construction and emphasis on automation tending to enlarge market for electrical controls, of which company is major supplier. Split paves way for dividend boost. B1

Daystrom: Absorption of Weston Electrical Instrument and other units in industry places company primarily in electronic manufacturing. Optimism in moderate earnings improvement indicated by management. C

Elliott Co.: Difficulty of maintaining margins on heavy equipment poses problem for this manufacturer of turbines, generators, etc. Prospects for recovery in earning power appear good. C

General Electric: Increasing emphasis on electronic devices for armed services and recovery in orders from utilities hold promise of encouraging upturn in sales and earnings of this major unit. A1*

General Precision Equipment: Sharp expansion in backlog of military orders is expected to accelerate deliveries later in year and encourage hope of upsurge in profits. Earnings may cover $2.40 dividend. B

International Tel. & Tel.: Improvement in operations in Great Britain and Western Europe contributing to progress. Output of telephone and electronic equipment expanding in U. S. Earnings up slightly. B1*

Master Electric: Keener competition in electric motors holding down profits, but earnings should compare favorably with 1955 results and easily cover $1.20 dividend. Higher payment seems unlikely now.

Maytag: Slackening in formation of new families and tightening of credit regulations tending to retard sales of appliances. Resulting intensification in competition threatens to hold down margins. B1

McGraw Electric: Expansion in volume of shipments to utilities accounts for good showing. Keen competition in fuses and household appliances. Modest increase in earnings indicated. Dividend secure. B1

Minneapolis-Honeywell: Continued growth in demand for electronic equipment of all kinds, especially for controlling temperature, assures high sales volume. Earnings expected to top 1955 total. Dividend rising. B1

Raytheon: Decision to eliminate TV activities expected to improve financial results. Recovery indicated from disappointing 1955-56 year. Dividend outlook dim. C

RATINGS: (A)—High-grade investment quality. (B)—Good Grade. (C)—Speculative. (D)—Unattractive.
1—Above average appreciation potential at current market levels. 2—Retain for long-term investment. 3—Speculative, but improving.
*—Most attractive of group at current market price.

Position of Leading Electronic & Electrical Equipment Companies (Continued)

	Full Fiscal Year: Net Sales 1954 (Millions)	Net Sales 1955 (Millions)	Net Profit Margin 1954 %	Net Profit Margin 1955 %	Net Per Share 1954	Net Per Share 1955	1st Quarter: Net Per Share 1955	Net Per Share 1956	Dividend Per Share: Indicated 1955	Indicated 1956	Price Range 1955-56	Recent Price	Div. Yield
ROBERTSHAW-FULTON W.C. (mil.) '54—$19.9 W.C. (mil.) '55—$18.6	$ 58.2	$ 64.0	6.3%	5.9%	$2.46	$2.51	$ .68	$ .62	$1.50	$1.50	33⅝-21½	24	6.2%
SPERRY-RAND W.C. (mil.) '54—$214.3 W.C. (mil.) '55—$206.1	699.3[3]	7 0.7[3]	6.4[3]	6.5[3]	1.75[3]	1.80[3]	......	......	.56	.80	29⅝-21	25	3.2
SQUARE D W.C. (mil.) '54—$21.8 W.C. (mil.) '55—$26.5	63.4	78.7	8.9	10.6	3.35	4.95	.82	1.44	2.50	2.50	82 -40½	82	3.0
SUNBEAM W.C. (mil.) '54—$25.9 W.C. (mil.) '55—$29.2	90.1[5]	107.2[6]	7.6[5]	9.4[6]	3.41[5]	3.33[6]	......	......	1.30	1.45	47¼-28⅛	44	3.3
TUNG-SOL ELECTRIC W.C. (mil.) '54—$14.8 W.C. (mil.) '55—$16.0	39.0	51.1	5.3	6.3	3.16	4.65	1.09	1.01	1.60	1.80	36⅜-25	30	6.0
WESTINGHOUSE ELEC. W.C. (mil.) '54—$692.1 W.C. (mil.) '55—$736.1	1,631.0	1,441.0	5.1	3.0	4.78	2.46	.75	[d] 1.14	2.00	2.00	83¼-51½	55	3.6

W.C.—Working Capital.
[d]—Deficit.
[1]—Adjusted.
[2]—6 months ended May 31.
[3]—Fiscal years ended March 31, 1955 and 1956.
[4]—6 months ended March 31.
[5]—52 weeks to March 26, 1955.
[6]—53 weeks to March 31, 1956.
[7]—6 months ended April 30.
[8]—6 months ended June 30.
[9]—Fiscal years ended May 31, 1955 and 1956.

Robertshaw-Fulton: Keen competition posing problem for this maker of temperature and pressure controls, tending to limit earnings potentials. Curtailment in residential buidling retarding sales. B

Sperry-Rand: Leading producer of specialized electronic equipment as well as office machines and electric razors. Increasing military emphasis on nuclear weapons should bolster shipments. B1

Square D: Firmly established manufacturer of switches and other electrical controls experiencing boom from expansion in industrial facilities. Upturn in net profit paving way for a more liberal dividend. B1

Sunbeam: Aggressive management pressing for increased part of small-appliance market. Further improvement in earnings indicated, affording basis for expecting modest extra. B1

Tung-Sol Electric: Expanding volume in electronic tubes, especially for TV and electronic devices, points to further steady growth. Earnings seem likely to compare favorably with excellent 1955 showing. B1

Westinghouse Electric: Overproduction and price-cutting in household appliances inject serious handicap for management in effort to recapture markets lost in prolonged strike. Earnings still depressed. B1

RATINGS: (A)—High-grade investment quality. (B)—Good Grade. (C)—Speculative. (D)—Unattractive.
1—Above average appreciation potential at current market levels. 2—Retain for long-term investment. 3—Speculative, but improving.
*—Most attractive of group at current market price.

the radio-TV group has been followed.

From the standpoint of monetary values involved, probably the electronic devices required by the military authorities comprise the most important segment. Expenditures for nuclear weapons and a host of new types of guided missiles are destined to run into hundreds of millions of dollars. Increasing emphasis on intercontinental missiles is especially important for electronics concerns. Numerous relatively small companies, especially on the Pacific Coast, concentrate on products used in aircraft or in some national-defense project. It has been indicated that probably 25% of manufacturers classified as electronic in nature can be accounted for in military procurement.

Heavy Defense Business

Inasmuch as the study on aircraft companies in this series placed great stress on developments discussed here, it will be unnecessary to elaborate on the promising outlook for concerns engaging in this phase of electronics. One needs only to realize that more than half the cost of modern fighter and bomber planes is represented by electronic equipment to understand the significance of vast Air Force expenditures so far as components makers are concerned. An idea of amounts of money involved can be gained from estimates of costs on individual planes that run from a million dollars upward. In view of the fact that the Defense Department has been enlarging contract awards, it would seem reasonable to look forward to continued expansion in this direction.

Prospects for manufacturers of electrical apparatus appear promising. Rapidly rising population trends and a continued high level of residential construction point to uninterrupted growth of electric power consumption. Demand for power has risen almost phenomenally, since electric sales have almost doubled each 10 years, a rate of improvement far exceeding population gains. Per capita consumption of electricity has jumped from 436 kilowatt hours a year in 1925 to 1,348 hours in 1945 and to an estimated 2,700 hours in 1956. Such expansion has been made possible by low rates, which have encouraged development of power tools and machinery as well as a host of household appliances to take the drudgery out of tasks around the home. Likewise generating capacity has mounted in the last quarter of a century. The utility industry had about 50 million kilowatts of capacity in 1945, or approximately double the total two decades earlier, while in the 1945-55 decade the total more than doubled and it is estimated that by 1960 the country will have capacity of at least 150 million kw capacity.

The vigorous industrial expansion program in progress this year, placing more and more emphasis on labor-saving machines, foreshadows still greater

demands on power and light utilities. Generating capacity must be steadily expanded from year to year. The time may come in another generation when costs of atomic power can be reduced to a point that may make present generating stations obsolete, but that time is not yet near. One of the major producers of apparatus has estimated that by 1965 atomic energy plants would account for 4% or less of new utility construction, while by 1970 the total might rise to 14%. By 1975, it is estimated that perhaps 44% of utility construction would be accounted for by nuclear plants and five years later the percentage is expected to rise to around 65%.

Industrial Power Sales

Mechanization in industrial plants boosts not only power sales but requirements for electric equipment as well. Manufacturers of electric motors and switches, for example, have fared well — as have machine-tool companies, of course. The mechanized factory requires numerous controls and an immense amount of wiring and cables together with fuse boxes, etc., all of which are *(Please turn to page 622)*

Position of Leading Television Companies

	Full Fiscal Year — Net Sales (Millions) 1954	1955	Net Profit Margin 1954 %	1955 %	Net Per Share 1954	1955	1st Quarter — Net Per Share 1955	1956	Dividend Per Share Indicated 1955	1956	Price Range 1955-56	Recent Price	Div. Yield
ADMIRAL CORP. W.C. (mil.) '54—$48.6 W.C. (mil.) '55—$45.5	$219.6	$202.4	3.0%	1.2%	$2.78	$1.73	$ .52	$ .55	$1.00	$1.00	30¼-17½	18	5.5%
COL. BROAD. "A" W.C. (mil.) '54—$48.9 W.C. (mil.) '55—$65.8	373.4	n.a.	3.1	n.a.	1.56[1]	1.79	.53[2]	.60[2]	.76[1]	.80	32⅝-22½	28	2.9
DUMONT (A.B.) LAB. "A" W.C. (mil.) '54—$22.2 W.C. (mil.) '55—$17.9	71.5	57.8	10.6	[d]6.3	3.17	[d]1.61	[d].02	.02	stock	....	17⅛- 5¾	6	....
MAGNAVOX CO. W.C. (mil.) '54—$ 6.7 W.C. (mil.) '55—$10.5	63.0	55.1	3.8	3.8	2.77	3.05	2.65[4]	3.23[4]	1.50	1.50[3]	41⅞-23	35	4.3
MOTOROLA W.C. (mil.) '54—$ 94.5 W.C. (mil.) '55—$104.4	205.2	226.6	3.7	3.8	3.91	4.39	1.11	1.04	1.50	1.50	60¾-40⅛	46	3.3
PHILCO CORP. W.C. (mil.) '54—$53.2 W.C. (mil.) '55—$70.1	349.3	373.4	1.9	2.3	1.69	2.13	.62	.38	1.60	.80	46⅜-20½	23	3.5
R.C.A. W.C. (mil.) '54—$234.9 W.C. (mil.) '55—$327.2	938.1	1,050.7	4.3	4.5	2.66	3.16	.84	.85	1.35	1.50	55⅜-36¾	46	3.3
SYLVANIA ELECTRIC W.C. (mil.) '54—$84.6 W.C. (mil.) '55—$87.2	281.6	307.4	3.3	4.5	2.92	4.29	1.03	1.28	2.00	2.00	55⅞-41	53	3.8
ZENITH RADIO W.C. (mil.) '54—$27.5 W.C. (mil.) '55—$34.1	138.6	152.9	4.1	5.3	11.53	16.31	4.21	3.72	5.00	5.25	142½-86	113	4.6

W.C.—Working Capital.
n.a.—Not Available.
[d]—Deficit.

[1]—Adjusted.
[2]—13 weeks ended March 31.
[3]—Plus stock.
[4]—9 months ended March 31.

Admiral Corp.: Acquisition of Raytheon's Belmont division expected to bring operating economies and counteract rising costs. Narrow margins on sets and other appliances depressing net profit. C

Columbia Broadcasting System: Venture into radio and TV manufacture proved unfortunate, but its abandonment has ended that drain. Its telecasting and broadcasting interests are highly profitable and point to continued growth. B1

DuMont (Allen B.) Lab.: Strong efforts to trim costs and concentrate on more profitable items expected to bring about recovery in earnings. Elimination of broadcasting unit should aid 1956 showing. D

Magnavox: Expansion in defense business and acquisition of Sentinel Radio as well as Sparks-Withington's radionic activities point to uptrend in sales and gradual earnings improvement. B1

Motorola: Company has been outstanding in promoting TV and radio equipment, despite lack of rounded appliance line. Company also is important defense supplier. B2

Philco: Keen competition in TV and appliances was blamed by company's management for lower earnings trend and necessity of cutting dividend rate in half. High labor costs pose problem. Turn may be near. C1

Radio Corp.: Heavy costs involved in enlarging color telecasting may retard earnings improvement in immediate future, but should stimulate public demand for sets and lead a new upsurge in sales. B2*

Sylvania Electric Products: Substantial backlog in defense orders and continued good demand for electronic tubes should sustain operations. Earnings may rise modestly over 1955. Possible extra dividend seen. B2*

Zenith: Contraction in TV manufacturing activity should contribute to better results in set sales this year. Absence of color sets in line should hold down costs. Moderate dip in earnings anticipated. B2

RATINGS: (A)—High-grade investment quality. (B)—Good Grade. (C)—Speculative. (D)—Unattractive.
1—Above average appreciation potential at current market levels. 2—Retain for long-term investment. 3—Speculative, but improving.
*—Most attractive of group at current market price.

Changed Position For RAIL EQUIPMENT?

By **WARD GATES**

"Prospects now appear brighter for these highly diversified companies than at any time since the end of World War II. Market-wise, of course, many companies have largely discounted the brisk business arising out of new fields of endeavor and the outlook for better business from the rails."

This was the next-to-concluding paragraph of our 1955 midyear reappraisal of the railway-equipment field, carried in the August 6, 1955, issue of THE MAGAZINE.

Let us check that appraisal against the events of the twelvemonth.

ACF Industries, Inc., for the fiscal year ended April 30, 1956, had net profit of about $8 million, or $6.08 a common share, compared with $5.17 a share in the preceding fiscal year. Sales rose by 28% to reach $245 million. The stock now is slightly below the $65 a share that prevailed a year ago.

Pullman, kingpin of the industry, also has done much better. Net of $2,915,000, or $1.32 a share, registered in the first quarter of this year, compared with $1,276,000, equal to 58 cents a share, in the year-ago quarter. The stock shows but nominal improvement from the $66 at which it sold a year ago.

ACF and Pullman are the two top companies of the industry. The pattern runs through much of the industry—gains for the business but only negligible action in the marketplace. To repeat: Brisker business was largely discounted.

There have been some notable exceptions, such as General Railway Signal, Westinghouse Air Brake and Youngstown Steel Door. The outstanding prospects for these companies was underscored in the August 6, 1955, issue of THE MAGAZINE.

Steel Strike Is Pinching

Additional improvement for the business of the railway-equipment manufacturers was in the cards for the current year until June 30, when the United Steelworkers shuffled the deck by going on strike. Indeed, the makers of gear for the carriers were feeling the pinch early in the spring. A local strike affecting a connecting railroad which serviced the Tennessee Coal & Iron plant at Birmingham, Ala., forced Pullman to fall back on precious steel inventories.

Inventories may have been ample this year in automotive and appliance plants, but the makers of railway equipment have had to scramble for steel since late 1955, when the carriers went on a car-buying binge induced by the Government's fast tax writeoff offer. Amid the flood of car orders and the worst car shortage in peacetime history (an average daily deficit of nearly 10,000 in June, 1955, had doubled by yearend), the equipment producers, nevertheless, worked at considerably less than capacity as a result of the steel dearth.

That shortage has been aggravated now by the nation-wide steel strike that began on June 30 of this year. Already, it has lasted too long to get the industry off the hook in 1956. The steel bottleneck here is sure to be a factor far into 1957.

Deliveries of Cars Rise

Deliveries of new freight cars to the railroads in May totaled 6,667, the highest number since October of 1953, when the figure was 8,727. May also was the first month since November, 1953, that deliveries topped 6,000. Orders for new freight cars, however, fell off in May to 2,403, compared with 6,559 in April, 1956, and 3,041 in May, 1955.

As a result of this increase in deliveries and decrease in orders, the backlog of cars on order and undelivered was reduced to 133,000 as of June 1, compared with 137,000 on May 1, 1956, and less than 17,000 on June 1, 1955. Of course, this trend will be reversed as a consequence of the materials shortages arising out of the prolonged steel shutdown.

Feast-and-Famine Business

A measure of the peaks and valleys that are commonplace in railway equipment may be gleaned from the fact that the railroads last year ordered 170,000 cars (thanks to the fast tax writeoff), compared with only 23,000 in 1954. The industry might have turned out as many as 55,000 cars this year, but that estimate was based on uninterrupted production of steel.

Hence, it would appear that the industry will be busy turning out cars well into 1958, assuming a better flow of raw material. This reckoning takes into consideration the increasingly large number of old freight cars that must be scrapped by the railroads. About 650,000 are 26 or more years old, with around 384,000 of these actually more than 30 years old. About 36% of the nation's fleet of freight cars is more than a quarter-century old.

Need for Passenger Trains

Another segment of the equipment business that holds great promise is the manufacture of lightweight passenger trains. It is no secret that the railroads have lost the transcontinental passenger business to the airlines, since few people have the time or inclination to spend days crossing the country in old trains when they can negotiate the distance in a matter of hours by flying. Nor is there any likelihood that even streamlined, air-conditioned trains will lure cross-country passengers back in appreciable numbers. But the advent of modern trains should stimulate greater use of trains on trips between New York and Boston, New York and Chicago and other points where travel time is not more than overnight.

Other Railway Gear

Numerous railroads already have placed in service the Train X of Pullman, the Talgo of ACF and (a late entry) the Aerotrain of General Motors. With GM under scrutiny by the Government for its bigness in the auto-bus field, it remains to be seen whether that industrial giant will move aggressively to capture the bulk of this new business. GM already is the biggest producer of diesel-electric locomotives and its Aerotrain is made up largely of GM components already in mass production. The prospect of having to buck GM in passenger cars is not cheering to old-line car-builders.

Incidentally, benefits to car-builders should flow from replacement needs of municipal subway

Position of Leading Rail Equipment Companies

	1st Quarter Net Sales 1955 (Millions)	1st Quarter Net Sales 1956 (Millions)	1st Quarter Net Profit Margin 1955 %	1st Quarter Net Profit Margin 1956 %	1st Quarter Net Per Share 1955	1st Quarter Net Per Share 1956	Full Year Earned Per Share 1954	Full Year Earned Per Share 1955	Full Year Dividend Per Share 1955	Full Year Dividend Per Share Indicated 1956	Price Range 1955-56	Recent Price	Indicated Div. Yield
AMER. BRAKE SHOE W.C. (mil.) '54—$19.4 W.C. (mil.) '55—$26.4	$109.9	$147.1	3.9%	4.4%	$3.19	$5.08	$ .98	$1.76	$2.10	$2.40	44⅞-33½	42	5.7%
ACF INDUSTRIES W.C. (mil.) '54—$59.7 W.C. (mil.) '55—$50.7	190.7[1]	245.0[1]	3.6[1]	3.3[1]	5.17[1]	6.08[1]	......	......	4.00	4.00	71 -46⅝	63	6.4
ALCO PRODUCTS W.C. (mil.) '54—$50.1 W.C. (mil.) '55—$51.8	187.2	120.7	2.5	6.5	1.83	3.98	.31	.40	1.00	1.00	27⅞-17⅞	21	4.8
AMER. STEEL FOUNDRIES W.C. (mil.) '54—$30.4 W.C. (mil.) '55—$27.6	89.0	80.7	4.1	4.7	3.05	3.17	.80[2]	3.56[2]	2.00	2.40	49⅜-29⅝	49	4.9
BALDWIN-LIMA-HAM. W.C. (mil.) '54—$64.9 W.C. (mil.) '55—$63.9	155.1	160.3	2.6	2.3	.95	.84	.21	.21	.60	.40	24½-11¾	15	2.7
BUDD CO. W.C. (mil.) '54—$42.2 W.C. (mil.) '55—$54.3	244.0	316.6	2.6	4.3	1.60	3.34	1.26	.87	1.25	1.40	23 -15⅝	20	7.0
GEN. AMER. TRANS. W.C. (mil.) '54—$36.9 W.C. (mil.) '55—$44.5	156.2	167.8	7.3	7.4	4.79	5.25	1.26	1.30	2.82½	3.05	71½-57¼	67	4.6

W.C.—Working Capital.
[1]—Fiscal Years ended April 30, 1956 and 1955.
[2]—6 months ended March 31.
n.a.—Not available.

American Brake Shoe: Business booked in first quarter set a record. Backlog is sharply higher. Even with raise in quarterly rate, payout remains highly conservative. Stock action typifies group. C2

ACF Industries: Upturn forecast last year has materialized and additional improvement should be registered by this diversified company. Steel bottleneck will hamper output well into next year. B2

Alco Products: Bulk of its products in new lines, directed to the power, chemical, petroleum and atomic fields. Sales of traditional railroad product have improved and company continues an important defense supplier. C2

American Steel Foundries: Considerable improvement recorded by this maker of castings, including many basic parts used in railway rolling stock, construction and repair. Unfilled orders have risen sharply. C

Baldwin-Lima-Hamilton: Company has acquired stakes in fields far removed from traditional business. Once a major producer of steam locomotives, it is counting on new direct-drive locomotive to regain past stature in the locomotive industry. Earth-moving and heavy business show promise. C

Budd Co.: Its auto-parts business has sustained a setback in keeping with lower automotive production schedules. New lightweight trains for railroads hold considerable promise for long term. Acquisition of Continental-Diamond Fibre a year ago has helped diversification program. C

General American Transportation: With all divisions of company doing well, outlook is bright. Company, however, will be hobbled for many months to come by slow deliveries of steel. B1*

RATINGS: (A)—High-grade investment quality. (B)—Good Grade. (C)—Speculative. (D)—Unattractive.
1—Above average appreciation potential at current market levels. 2—Retain for long-term investment. 3—Improving
*—Most attractive of group at current market price.

systems. New York City is a prime prospect.

Railway equipment, to be sure, is not all freight and passenger cars. It also is railway-signaling devices, air-brake equipment and switching gear, to cite but a few items.

New York Air Brake, a representative company in this field, has benefited from the rising demand for air brakes and replacement brake parts for locomotives, and passenger and freight cars. It produces air-brake equipment under a cross-licensing agreement with its larger competitor, Westinghouse Air Brake Co.

The Scramble for Diversity

While the railroads have become a better customer for the traditional products of New York Air Brake, that company—like Westinghouse Air Brake, Pullman and ACF—long since has gotten away from sole dependence on orders from the carriers. Last year, as an example, its railroad business soared more than 50% to reach $11,460,000. But nearly 73% of its volume was generated by non-railroad business.

Back in 1947, only 1.7% of New York's total volume was from non-railroad sources. A measure of the independence from the carriers gained by the company may be gleaned by these statistics: In 1948, 3.8% of the business was non-railroad; in 1949, 10.5%; in 1950, 22.7%; 1951, 32.2%; 1952, 57.2%; 1953, 65.7%, and in 1954, 79.3%. The drop to 73% for non-railroad in 1955 reflects the resurgence of the company's traditional customer.

Those Other Businesses

Makers of railway equipment began diversifying on a vast scale after the close of World War II. But for this, they would, in many instances, have fallen by the wayside. That they have flourished attests to the courage, vision and enterprise of their corporate leaders, who took these companies so far afield that there no longer is such a thing as a railway equipment industry, pure and simple. Today that business is but a part of the *(Please turn to page* 614)

Position of Leading Rail Equipment Companies (Continued)

	1st Quarter: Net Sales 1955 (Millions)	1st Quarter: Net Sales 1956 (Millions)	1st Quarter: Net Profit Margin 1955 %	1st Quarter: Net Profit Margin 1956 %	1st Quarter: Net Per Share 1955	1st Quarter: Net Per Share 1956	Full Year: Earned Per Share 1954	Full Year: Earned Per Share 1955	Full Year: Dividend Per Share 1955	Full Year: Dividend Per Share Indicated 1956	Price Range 1955-56	Recent Price	Indicated Div. Yield
GEN. RWY. SIGNAL W.C. (mil.) '54—$11.5 W. C. (mil.) '55—$ 9.9	15.9	n.a.	7.6	n.a.	3.25	4.53	.62	1.64	3.00	3.40	90 -39½	86	4.0%
N. Y. AIR BRAKE W.C. (mil.) '54—$16.8 W.C. (mil.) '55—$15.8	$ 36.0	$ 42.0	4.7%	5.1%	$2.31	$2.94	$ .54	$ .82	$1.60	$1.60	33⅜-27½	30	5.3
POOR & CO. "B" W.C. (mil.) '54—$7.1 W.C. (mil.) '55—$6.6	28.2	34.5	3.8	4.5	2.05	3.29	.67	1.35	1.50	1.50	34⅞-19¼	34	4.4
PULLMAN W.C. (mil.) '54—$121.7 W.C. (mil.) '55—$121.1	391.0	330.4	3.4	2.9	6.05	4.34	.58	1.32	4.00	4.00	74¾-56⅝	68	5.9
SYMINGTON-GOULD W.C. (mil.) '54—$5.7 W.C. (mil.) '55—$5.7	9.6	15.4	2.0	6.0	.19	.90	.28	.30	.50	.50	12 - 6½	10	5.0
UNION TANK CAR W.C. (mil.) '54—$3.9 W.C. (mil.) '55—$6.2	28.1	30.6	18.3	20.0	2.39	2.60	.66	.65	1.50	1.60	36 -26¾	31	5.2
WEST'GH'SE AIR BRAKE W.C. (mil.) '54—$69.0 W.C. (mil.) '55—$77.9	121.5	172.5	6.4	7.2	1.88	2.98	.37	.61	1.20	1.20	35¼-25⅛	34	3.5
Y'NGST'N STEEL DOOR W.C. (mil.) '54—$8.1 W.C. (mil.) '55—$8.8	10.9	20.2	5.0	7.5	.82	2.27	......	......	1.35	1.60	27⅜-14	26	6.2

W.C.—Working Capital.
[1]—Fiscal Years ended April 30, 1956 and 1955.
[2]—6 months ended March 31.
n.a.—Not available.

General Railway Signal: Growing use by railroads and other customers of electronic controls and allied devices helping this company. Paid some dividend in each year since 1940, an outstanding record in the industry. B2

N. Y. Air Brake: Sales, earnings, profit margin and order backlog improved for this diversified company. Recent earnings have been restricted by operating problems at new Kalamazoo plant. Steel dearth also poses problem. C1*

Poor & Co.: Scoring substantial gains on heavy demand from railroad and other customers. Business divided about evenly between carrier and industrial items. More liberal dividend treatment appears slated. C2

Pullman: Lack of steel is only barrier to an outstanding year for the company, which has improved traditional business and growing non-railroad lines. Finances are strong. B1*

Symington-Gould: Upturn achieved last year by this maker of steel castings for rails and industrial applications continued into 1956. Backlog sharply higher. Quest for greater diversity continues. C

Union Tank Car: New strides made by company, which has strongly entrenched position as a tank car lessor. Has long record of sustained earnings power and uninterrupted dividend payments. Growth has paralleled that of petroleum industry. B1*

Westinghouse Air Brake: Cited in year-ago survey as "most attractive of group at present prices," this diversified company has continued to make important progress. Prospects good for more liberal dividend. C1*

Youngstown Steel Door: Was rated in same category as Westinghouse Air Brake, this leading maker of steel freight doors has made outstanding progress. At present price, however, stock has discounted a good deal. C2

RATINGS: (A)High-grade investment quality. (B)—Good Grade. (C)—Speculative. (D)—Unattractive.
1—Above average appreciation potential at current market levels. 2—Retain for long-term investment. 3—Improving
*—Most attractive of group at current market price.

Computing Revised Prospects For OFFICE EQUIPMENT

By W. A. HODGES

American business is crying for help. Despite the increase in the number of clerical workers from 10% of all the nation's employes in 1940 to more than 16% as of now, the volume of paperwork continues to mount.

There's the job of keeping the books straight on withholding income taxes for the Government. This alone is a Herculean task for companies with a couple of thousand to a quarter of a million or more employes. Records must also be kept of Social Security taxes, unemployment insurance premiums, pension funds, and medical and hospitalization plan payments.

These are jobs super-imposed on all types of businesses that are confronted with a mountain of paperwork in direct connection with their own activities. Involved in the paperwork are sales analysis reports, production, inventory and material controls, cost accounting, payroll, employment and other procedures peculiar to industry, including manufacturing, banking, railroading or insurance. Much of this is information which must be immediately at hand if management is to be efficient and operations co-ordinated. Time, therefore, is of the essence, but manual operations are too slow, even with the addition of thousands more clerical workers to do the most routine work.

New and Improved Equipment Vital

Business is finding the answer to its paperwork problems through the steady improvement of office machines and procedures. Last year it invested approximately $1.5 billion in electronic computers, electric typewriters, electronic high-speed accounting machines and other office equipment that reduces manual procedure and shaves hours and even precious seconds from the processing time.

With the exception of *Felt & Tarrant*, maker of the "Comptometer," every company in the accompanying table showed appreciable earnings gain in 1955 over the previous year. The outlook for the majority of these companies is for still higher sales and further earnings improvement as the pressure upon business to dig out from under the growing mountain of paperwork creates a bigger demand, here and abroad, for every available labor and time-saving equipment. Again, this year, the Federal government as well as the various state authorities, also are expected to be among the largest customers of the office-equipment

industry.

Only last May, when the Navy put an *International Business Machines Corp.* "702" electronic data-processing machine through its paces, the Aviation Supply Office stated: "The supersonic age in aviation has led to electronification of our supply procedures. The support of the complex jet aircraft the Navy has deployed throughout the free world today presents the Navy's supply personnel with procurement and distribution problems that cannot be properly solved without highly automated data-processing systems."

It also was stated that the Navy is going ahead with a considerable expansion into automated business procedures.

Trend is Spreading

This same trend is being followed by any number of manufacturing, insurance and banking concerns. The Bank of America, with headquarters in San Francisco, has in operation at its new data-processing center there, an IBM 702 to perform many tasks. One of the first to which it was put was the processing of about 90,000 individual real-estate loan accounts for customers of 66 of the bank's Bay Area branches. The elapsed time for the entire job was less than four hours, but a fraction of the time required by any other method.

The Bank of America installation is only one of many for IBM. As of April 30, orders on hand for the "giants" of the 700 series had reached 200 of which 75, at monthly rentals averaging about $35,000, are expected to be installed before the end of the year. In common with previously installed units, these machines will be called on to solve problems ranging from payroll makeup to guided-missile design. As of the same date the order backlog for the "650" computer totaled 150. This is the machine that is called the electronic "work horse" of the modern office and is able to do a wide range of intricate business and scientific problems. By the end of this year IBM expects to have shipped a total of 575 of these units, renting for about $3,750 monthly average.

Income From Rentals

Income through rentals has contributed substantially to IBM's total annual income. However, the company, under the consent decree in settlement of the Department of Justice antitrust suit, is required to sell its machines as well as rent them. Considering the rapid strides in developing improved and faster electronic computers, it is reasonable to believe that users will continue to pay rentals rather than run the risk of having an obsolete machine on hand within a few years. Some users already are anticipating such improvements as development of symbolic internal computer codes, larger and more compact high-speed internal memory, and greater speed in the computation devices.

To IBM's prominent place in the electronic computer field is added its position as a producer of punched-card accounting machines and cards, bank proof machines, electronic and synchronous-wired-time systems, time-recorders, and electric typewriters. These are products widely used by industry, government, scientific and educational institutions, all contributing to sales and earnings that have been in an unbroken uptrend over the last 10 years. Net income for 1955 of $55.8 million was more than three times the $18.7 million realized in 1946 and was equal to $13.63 a share, compared with $4.58 a share 10 years ago.

Indications are more new records will be set in the current year. During the six months to June 30, net income increased to $31.8 million, or $6.07 a share, from $23.8 million, or $4.66 a share, for the like period ended June 30, 1955. Currently, cash dividends are at the rate of $1 quarterly to yield 0.8% on prevailing market price of $500 a share. While original commitments in this issue are not recommended at this level, investors interested in growth over the long-term should not disturb their positions.

Electronic Computer Market

Unquestionably, much of this growth will come through the expansion in use of electronic computers and related equipment. The consensus of engineers, scientists and industrialists is that applications of the electronic computer have just scratched the surface. Since the close of World War II, the use of large-scale computers has become a standard operating procedure for the engineering divisions of aircraft manufacturers. At Montgomery Ward & Co., Controller Otterstrom is of the opinion that the real applications of these machines could easily go beyond the accounting field, citing their use in the more scientific placement of the 50 million catalogs the company distributes each year; selection of the merchandise for make-up of merchandise lines; most profitable allocation of selling floor space, and sales and inventory forecasting.

There appears to be, therefore, an almost unlimited market, especially for the medium-size or commercial machines. Giving impetus to the use of these types of electronic computers will be the designing of new devices that will speed up the rate of input and output. With continued progress along these lines there should be a continuing increase for other high-speed office equipment of all types.

A specific example is the *Burroughs Corp.*, high-speed printing and accounting machines. The Series "G" model, first deliveries of which were made last year, includes tabulating and card-punching functions, and is designed to provide the highest speed yet evolved for accounting purposes. Its applications include utility billing, check writing, retail credit accounting, direct mail and other operations. Burroughs recently began delivery of its "E 101" desk-size electronic digital computer and still more recently enlarged its interest in this field by the acquisition of the ElectroData Corp., an addition giving it a line of computers, ranging from small desk-size all the way up to giant-scale computer systems.

Among other recent Burroughs developments have been the introduction to markets of the "Sensitronic," a machine for bank and general posting and the "Bank-O-Matic," the latter now undergoing field tests. This device, utilizing a punched paper tape as input, keeps a complete daily transcript of all bank accounts and prepares all statements automatically. Another new product is a separate microfilm recorder and reader, the advantage of which, among others, is that it makes possible a more flexible microfilming system.

In addition to expanding research efforts in electronics and related fields, the company has acquired important subsidiaries and greatly expanded its sales organization. Last year total revenues from world-wide operations, including those of the Todd Co. and

the Charles R. Hadley Co., both acquired in 1955, set a new high at $218.5 million, up from $169 million for the previous year. Net earnings of $12.1 million from all operations were equal to $2.19 per share, compared with $9.1 million, or $1.83 a share, in 1954. Although the present price of 43 appears to discount immediate prospects, the issue continues to be attractive for its possibilities over the long term.

National Cash Register, preeminent as the world's largest cash-register manufacturer, is an important producer of accounting equipment for municipal and government offices, banks, insurance companies, public utilities and almost every other type of operation. Research and engineering development is expanding these lines. Among the newer products is National's "Post-Tronic" posting machine, particularly advantageous to banks in handling checking accounts. Another device is a tape-recorder which makes it possible for cash registers, accounting machines and adding machines to serve as input media for electronic computers or other data-processing equipment. This is of particular importance, marking, as it does, further progress in increasing the value of computers by speeding the rate of (*Please turn to page* 622)

Position of Leading Office Equipment Companies

	Full Fiscal Year — Net Sales 1954 (Millions)	Net Sales 1955 (Millions)	Net Profit Margin 1954 %	Net Profit Margin 1955 %	Net Per Share 1954	Net Per Share 1955	1st Quarter — Net Per Share 1955	Net Per Share 1956	Dividend Per Share 1954	Indicated 1955	Price Range 1955-56	Recent Price	Div. Yield
ADDRESSO.-MULTI. W.C. (mil.) '54—$24.1 W.C. (mil.) '55—$27.2	$ 65.4	$ 73.4	7.4%	9.1%	$5.92	$7.86	$7.21[1]	$8.07[1]	$3.64	$4.00[3]	153 - 77½	153	2.6%
BURROUGHS CORP. W.C. (mil.) '54—$58.3[6] W.C. (mil.) '55—$74.4	168.6	217.8	4.6	5.6	1.56	2.19	.52	.60	1.00	1.00	44¾- 22⅞	43	2.3
FELT & TARRANT MFG. W.C. (mil.) '54—$5.2 W.C. (mil.) '55—$5.2	9.1	10.3	1.2	[d]2.2	.22	[d] .44	[d] .09	[d] .14	.05	......	13½- 8¼	9	....
INT. BUS. MACH. W.C. (mil.) '54—$ 86.8 W.C. (mil.) '55—$131.3	461.3	563.5	10.0	9.9	9.08[2]	10.90[2]	2.22[2]	2.92[2]	3.12	4.00	510 -279⅛	500	.8
NAT. CASH REG. W.C. (mil.) '54—$57.2 W.C. (mil.) '55—$69.4	259.1	301.2	4.9	5.1	1.94[2]	2.33[2]	.44	.53	1.07½	1.10	56 - 33½	56	2.0
PITNEY-BOWES W.C. (mil.) '54—$ 9.3 W.C. (mil.) '55—$10.9	34.9	39.2	8.4	9.1	2.41	2.82	.70	.78	1.45[3]	1.60	70¾- 33⅜	67	2.4
ROYAL McBEE CORP. W.C. (mil.) '54—$19.0 W.C. (mil.) '55—$28.3	84.4	84.7	3.3	4.3	1.83	2.45	1.50[4]	2.66[4]	1.20	1.40	35⅞- 19	35	4.0
SMITH-CORONA W.C. (mil.) '54—$12.5 W.C. (mil.) '55—$14.7	29.0	31.0	1.2	3.4	1.10	3.26	2.68[5]	3.70[5]	.60	1.00[3]	46¾- 20⅝	41	2.4
UNDERWOOD CORP. W.C. (mil.) '54—$33.8 W.C. (mil.) '55—$32.8	76.0	82.4	1.6	1.8	1.66	2.01	.58	.20	1.50	1.00	44 - 29⅝	30	3.3

W.C.—Working Capital.
[d]—Deficit.
[1]—12 months ended April 30.
[2]—Adjusted.
[3]—Plus stock.
[4]—9 months ended April 30.
[5]—9 months ended March 30.
[6]—Includes Electrodata Corp.

Addressograph-Multigraph: New product development, including introduction of electronic printers, reflected in earnings uptrend. New record high indicated for fiscal 1956. B2

Burroughs Corp.: Increasing importance in electronic computer field and new product development provide broad base for continued growth in world-wide markets. B2

Felt & Tarrant: Non-recurring marketing and other expenses resulted in deficit of 44 cents a share in 1955. Little, if any, improvement indicated for current year. D

International Business Machines: Continued growth indicated for this pre-eminent producer of electronic computers, other office equipment and related products. Cash dividends should again be supplemented by extra in stock or split-up. A2

National Cash Register: World leader in cash register field. Also holds Increasingly important place as producer of accounting and other business machines, including scientific electronic computers. Emphasizing research on commercial computers and input and output devices. A2

Pitney-Bowes: Leading manufacturer of mail-metering equipment improving an already strong position by developing other business machines. Good growth prospects. B2

Royal McBee: Wide acceptance of its electric typewriter expanding sales and earnings. Diversification in other office equipment and supplies, broadened by output of automatic typewriting equipment. Jointly, with General Precision Equipment Corp., plans production of commercial electronic computers. C3

Smith-Corona: Sales gain of 16.6% in first 9 months to last March 31, over like period of previous year brought net income to $3.70 a share, as compared with $3.26 a share for all of fiscal 1955. Acquisition of Kleinschmidt Laboratories, Inc., should broaden diversification. C

Underwood Corp.: Drop in first half-year earnings to 5 cents a share from $1.31 for six months to June 30, 1955, despite sales increase, attributed largely to increased research expenditures, pre-production expenses for new products and heavier sales promotion outlays. C

RATINGS: (A)—High-grade investment quality. (B)—Good Grade. (C)—Speculative. (D)—Unattractive.
1—Above average appreciation potential at current market levels. 2—Retain for long-term investment. 3—Improving
*—Most attractive of group at current market price.

What Recovery Chances For Farm Equipment?

By JOHN D. C. WELDON

Now that the hassle in Washington over farm aid has been settled with the passage and signing of the compromise farm bill, the agricultural equipment manufacturers are hoping for better times.

Most of the producers of farm machinery and equipment had rough going in the first half-year that, for the majority, ended last April 30. There was evidence that farmers needing additional facilities, or who found it necessary to purchase replacements, were more interested in what they could pick up second-hand than they were in laying out money or taking on debt for higher-priced new equipment.

This frugality, under conditions existing in the early part of the fiscal year, was understandable. Certain areas of the country were experiencing serious drought conditions. In other sections, farmers were plagued with a late spring. Under either weather conditions, farmers didn't have much on which to base an optimistic estimate of this year's farm earnings.

Muddling the outlook was the conflicting political ideas of what the new farm-aid bill should contain. Until something definite was agreed upon by members of the Congress and put into a bill that would be signed by the President, purchases of new farm machinery involved only that which was absolutely

necessary. In the light of these factors it is obvious why farm-equipment makers' sales in the first six months were down from the 1955 fiscal first half-year while earnings were depressed by, in some instances, labor disturbances or, in most other instances, higher wage scales and increased materials costs, although the higher cost was offset to some extent by a general 7% price increase which went into effect in late 1955. On the other hand, farm-equipment makers have had less defense business so far this year than they enjoyed in the past several years.

Defense Orders Would Help

While they would welcome more orders for defense items from the Government, the recent turn for the better for their established agricultural lines is cause for more optimism. There are some misgivings, however. While the passage of the farm bill, including the provision for the non-controversial Soil Bank, has removed the previous uncertainty regarding Federal legislation, it is possible that there will continue to be some reluctance to buy new equipment until final results from this year's crops are written in the books. According to the U. S. Department of Agriculture, total acreage planted or growing, involving 59 crops, this year is put at 351 million acres. This is roughly 3.8 million acres less than last year, and the smallest since 1942, with the department predicting that crop production will drop from last year's 105% of the 1947-49 average to somewhere around 102%. The final result depends on weather conditions, particularly in the Midwestern sections, where the July-August period continues hazardous "because of subsoil moisture shortage."

Impact on Equipment Buying

There also is some conjecture as to the effect on equipment buying this year of the failure of Congress to go along with President Eisenhower to authorize advance payments of approximately $500 million upon agreement by farmers to remove acres from surplus crops in 1957. As a substitute, the Congress authorized payments for reducing 1956 crops to the extent that Secretary of (*Please turn to page* 618)

Position of Leading Farm Equipment Stocks

	Full Years: Net Sales 1954 (Millions)	Net Sales 1955 (Millions)	Net Profit Margin 1954 %	Net Profit Margin 1955 %	Net Per Share 1954	Net Per Share 1955	1st Fiscal 6 months: Earned Per Share 1955	Earned Per Share 1956	Dividend Per Share 1955	Dividend Per Share Indcated 1956	Price Range 1955-56	Recent Price	Div. Yield %
CASE, J. I. W.C. (mil.) '54—$85.2 W.C. (mil.) '55—$84.5	$ 87.1	$ 88.9	d .6%	1.2%	d$ .53	$ .11	d$ .75	d$2.25	......	......	19½-11½	14	....
CATERPILLAR TRACTOR W.C. (mil.) '54—$105.9 W.C. (mil.) '55—$ 93.6	401.0	523.9	6.2	6.6	2.92	4.04	1.49[1]	2.38[1]	$1.60	$1.80	94 -39⅞	90	2.1%
DEERE & CO. W.C. (mil.) '54—$291.1 W.C. (mil.) '55—$304.8	319.9	359.9	6.4	7.9	2.76	3.91	2.11[3]	1.08[3]	1.75	1.75	39¾-25¾	28	6.2
INTER. HARVESTER W.C. (mil.) '54—$355.9 W.C. (mil.) '55—$399.4	994.0	1,165.8	3.6	4.8	2.24	3.60	1.51[3]	1.56[3]	2.00	2.00	41⅛-33⅛	38	5.3
MINNEAPOLIS-MOLINE W.C. (mil.) '54—$40.0 W.C. (mil.) '55—$39.9	77.4	72.3	d .05	.9	d .67	.14	d1.09[3]	d 1.10[3]	nil	nil	26¼-12¾	18	....
MYERS (F. E.) & BRO. W.C. (mil.) '54—$5.4 W.C. (mil.) '55—$5.2	11.2[2]	12.7	7.9	8.2	4.54[2]	5.02	1.31[4]	1.89[4]	2.40	2.90	50 -40⅜	46	6.3
OLIVER CORP. W.C. (mil.) '54—$62.6 W.C. (mil.) '55—$62.1	128.3	133.6	2.8	3.6	1.61	2.13	1.29[3]	d .19[3]	1.00	.60	18⅝-11	14	4.3

W.C.—Working Capital.
1—5 months ended May. 31.
2—11 months ended Sept. 30, 1954
3—6 months ended April 30.
4—6 months ended March 31

Case (J. I.) Co.: Sales improvement indicated for second half-year. Because of sizable first half-year deficit, company will likely end 1956 in the red. D

Caterpillar Tractor: Lower farm equipment sales more than offset by continuing world-wide demand for earth moving and other industrial products. First half-year set new high marks in sales and earnings. B2

Deere & Co.: Net income of $1.08 a common share in first half-year reflects lower equipment sales and effects of strike of four months' duration. Current fiscal year's earnings will fall short of last year's $3.91 a share, but dividend coverage should be ample. B

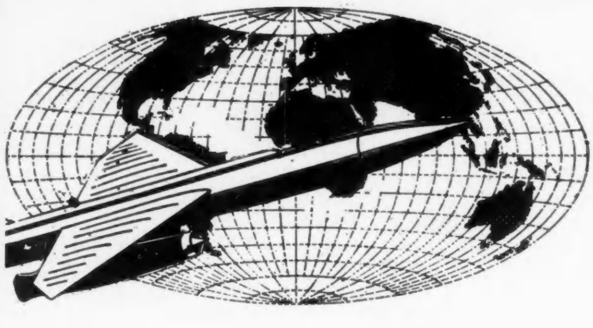
Internat'l. Harvester: Integrated operations and broad diversification, including machinery and equipment for the construction and other industries, as well as growing importance as motor truck builder, reflected in continued sales and earnings uptrend. B2

Minneapolis-Moline: Some sales improvement expected in final six months, reducing deficit shown for the first half-year. D

Myers (F. E.) & Bro.: This manufacturer of pumps of all sizes, largely for farm use, has a stable earnings record which should be sustained by fiscal 1956 earnings of close to $5.00 a share. Quarterly 60-cent dividend should again be supplemented by year-end extra. B

Oliver Corp.: Final half-year sales should more than wipe out first six months' 19 cents per share deficit. Although results for full year will fall short of matching 1955's $2.31 a share net earnings, recently reduced 15-cent quarterly dividend should be maintained. C

RATINGS: (A)—High-grade investment quality. (B)—Good Grade. (C)—Speculative. (D)—Unattractive.
1—Above average appreciation potential at current market levels. 2—Retain for long-term investment. 3—Speculative, but improving.
*—Most attractive of group at current market price.



Three Prime Aircraft Investments

By WARNER T. WILSON

No industry faces the next few years with better prospects of high-level operations than the aircraft manufacturers. Already on a high plateau (every one of the 20 leaders last year operated profitably and paid dividends), the industry is assured of another lift from the heavy concentration on aerial defense, presaged by the action in this session of Congress. This field also should benefit from rising sentiment for whittling ground forces in favor of stepped-up spending for the Air Force.

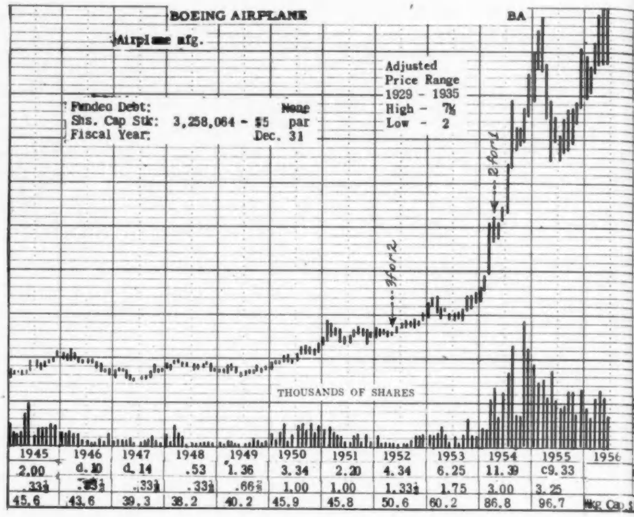
From this vast field we have chosen three companies calculated to derive major benefits from this program. This trio of Boeing Airplane Co., Douglas Aircraft Co. and Lockheed Aircraft Corp. has a tremendous stake in military aircraft. Beyond that, they have investment appeal because of their development of jets, rockets and guided missiles, slated for a key role in the defense of the Free World.

Finally, these companies are destined to play a major part in outfitting the airlines of tomorrow with the jet transports that will revolutionize commercial travel.

Selection of these three also is warranted because of the aggressive management and topnotch research and development. Each has demonstrated outstanding ability to make important progress in every field of the business.

The choice of these three in a field that has many fast-moving companies is not intended to detract from other good-grade issues in the aircraft group, but rather to point up what we believe to be a trio of outstanding companies, any one of which rates a place in the well-rounded portfolio.

A comprehensive study of the aircraft industry was published in the May 26, 1956, issue of THE MAGAZINE.



BOEING AIRPLANE CO.

BUSINESS: Boeing is a leading builder and designer of military and commercial aircraft. It also conducts research and development work under Government contracts, including work in guided missiles.

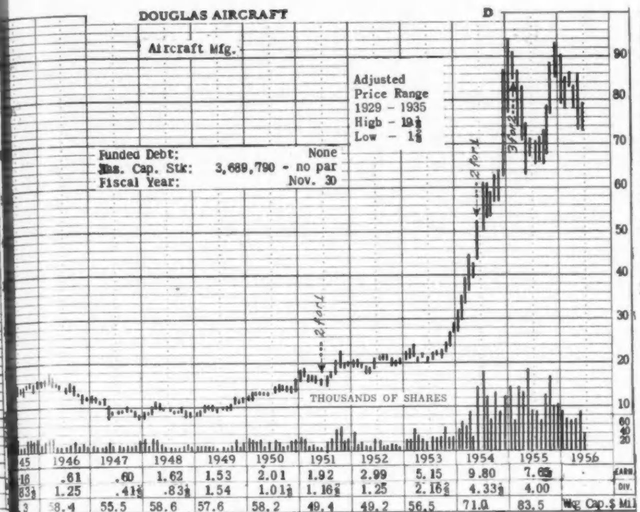
OUTLOOK: Under impetus of defense requirements, Boeing has compiled an outstanding record of growth over past several years. Volume rose from less than $14 million in post-war 1946 to all-time peak of over a billion in 1954. Volume declined to $853,828,000 last year. Although earnings this year have compared favorably with like 1955 period, despite a sales dip, net has been somewhat under expectations. This was caused by delay in deliveries on one of the principal programs due to the non-availability of qualified vendor furnished equipment. The step-up in deliveries as soon as the equipment is available points to sales and earnings for 1956 that should top last year. Boeing B-52 heavy bomber is the favored weapon of the military, prompting this Congress to vote greater funds than the Administration sought in an effort to accelerate its production. Boeing backlog is above $2.5 billion, with about one-sixth representing orders for commercial jets. Boeing supersonic missile, the IM-99, is a pilotless interceptor, designed to strike high-speed enemy bombers while they are still over areas away from vital targets.

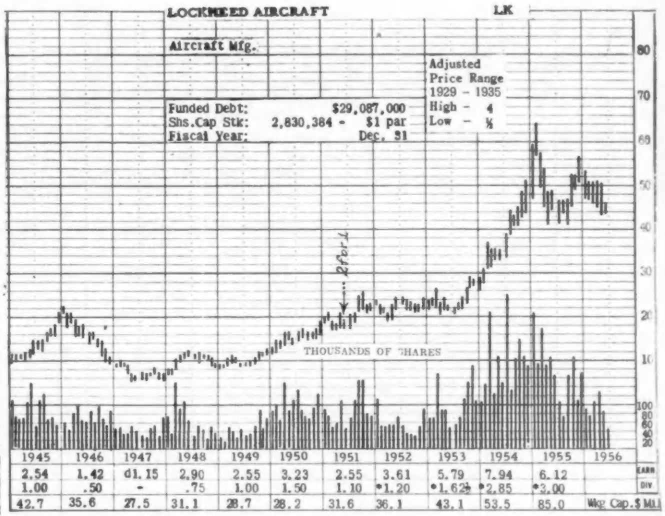
DIVIDENDS: Shareholders will receive on August 6 one share for each share held, to effect a 2-for-1 stock split. New stock will receive 25 cents quarterly, to be supplemented by small stock dividends annually. Old shares received 50 cents, supplemented by quarterly cash extras. Total disbursements last year were $3.25 on the old shares. Changed dividend policy is designed to permit greater accumulation of capital funds needed in growing business.

MARKET ACTION: Recent price of 93 (old shares) compares with a 1955-56 range of High—96¾, Low—54⅝. At current price (based on new dividend policy) cash yield is 2.2%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1946	1955	Change
		(000 omitted)	
ASSETS			
Cash & Marketable Securities	$ 37,380	$ 26,651	—$ 10,729
Notes & Accounts Receivable	838	21,223	+ 20,385
Estimated Receivables from U.S.	4,084	54,397	+ 50,513
Accum. Charges, other U.S. Cont.	6,093	119,819	+ 113,726
Materials & Parts	19,424	7,807	— 11,617
Other Current Assets	2,441	1,232	— 1,159
TOTAL CURRENT ASSETS	70,260	231,379	+ 161,119
Net Property	2,605	24,707	+ 22,102
Other Assets	1,400	....	— 1,400
TOTAL ASSETS	$ 74,265	$256,086	+ 181,821
LIABILITIES			
Notes & Accounts Payable	$ 4,527	$ 62,242	+$ 57,715
Accrued Wages	2,684	28,319	+ 25,635
Provision for Income Taxes	....	17,637	+ 17,637
Provision for Refunds	....	8,178	+ 8,178
Due to U.S. Government	....	8,646	+ 8,646
Payable Under Retirement Plan		6,338	+ 6,338
Other Current Liabilities	19,443	3,250	— 16,193
TOTAL CURRENT LIABILITIES	26,654	134,610	+ 107,956
Capital Stock	5,412	60,969	+ 55,557
Earned Surplus	24,643	60,507	+ 35,864
Other Liabilities	17,556	....	— 17,556
TOTAL LIABILITIES	$ 74,265	$256,086	+ 181,821
WORKING CAPITAL	$ 43,606	$ 96,769	+ 53,163
CURRENT RATIO	2.6	1.7	— .9





* plus stock dividend

DOUGLAS AIRCRAFT CO.

BUSINESS: The company is one of the leading aircraft builders. It is heavily engaged in production of various types of planes for the military and turns out guided missiles. It is the foremost maker of commercial cargo and passenger aircraft.

OUTLOOK: Earnings for the second quarter ended May 31 rose to $2.08 a share from $1.78 in the like 1955 period. Increased earnings were due to delivery of 26 four-engine commercial airliners. Continued improvement during last six months of year is expected. For the six months to May 31, net was equal to $3.46 a share on sales of $453,077,000. In like 1955 period, net was $3.71 a share on sales of $435,841,000. The six-month decline resulted from heavier development writeoffs, principally new jet transports. Development costs for first half totaled $9,714,000, against little more than $5 million a year earlier. Backlog at May 31 totaled $2,414,393,000, of which 46% was commercial business. Douglas stands to make a considerable profit from the tremendous quantities of Nikes, the anti-aircraft missile which it supplies to the militay.

DIVIDENDS: Followng three stock splits in the past five years, the stock has lost some of its old leverage, but it has an unbroken 18-year dividend record. Once more, it is a stock-split candidate. Payments last year, including extras, totaled $4 a share. The company has continued this year the policy of paying 50 cents regular plus 50 cents extra at quarterly intervals.

MARKET ACTION: Recent price of 80 compares with a 1955-56 price range of High—94, Low—62¼. At current price cash yield is 5%.

COMPARATIVE BALANCE SHEET ITEMS

	November 30 1946	1955	Change
ASSETS		(000 omitted)	
Cash & Government Securities	$ 28,693	$ 81,619	+$ 52,926
Accounts Receivable	9,756	16,472	+ 6,716
Unreimbursed Expenditures	7,896	60,592	+ 52,696
Inventories	36,554	75,860	+ 39,306
TOTAL CURRENT ASSETS	82,899	234,543	+ 151,644
Net Property	10,554	39,286	+ 28,732
Other Assets	7,983	1,891	— 6,092
Deferred Charges	2,517	9,631	+ 7,114
TOTAL ASSETS	$103,953	$285,351	+$181,398
LIABILITIES			
Accounts Payable	$ 9,953	$ 38,764	+$ 28,811
Accrued Wages	2,848	25,464	+ 22,616
Advances Received on Contracts	5,944	49,909	+ 43,965
Accrued Taxes	1,703	35,292	+ 33,589
Other Current Liabilities	3,963	1,575	— 2,388
TOTAL CURRENT LIABILITIES	24,411	151,004	+ 126,593
Capital Stock	6,000	30,748	+ 24,748
Capital Surplus	3,993	812	— 3,181
Earned Surplus	59,081	102,787	+ 43,706
Other Liabilities	10,468	....	— 10,468
TOTAL LIABILITIES	$103,953	$285,351	+$181,398
WORKING CAPITAL	$ 58,488	$ 83,538	+$ 25,051
CURRENT RATIO	3.4	1.6	— 1.8

LOCKHEED AIRCRAFT CORPORATION

BUSINESS: Lockheed is an important producer of military and commercial planes. Subsidiaries include an air terminal and an aircraft service. The Missiles Systems Division is a relatively new but rapidly growing segment of the over-all business.

OUTLOOK: The company makes the F-104 fighters, the T2V and T-33 trainers, Navy patrol planes, and the whole family of Constellation cargo, early-warning and passenger transports. It also is developing the new Model 1649 Constellation and the Lockheed Electra. Sales and earnings this year have remained close to year-ago levels. Of the $1.3 billion total backlog at the end of June (more than double year-earlier level), 35% was commercial, highest in the post-war decade. Strong demand for the Electra and Super Constellation airliners this year was responsible for the boom in civilian orders. The company now has orders for 230 transports, with production scheduled through 1960. The Air Force has placed orders for over $150 million for the new F-104A, believed to be much lighter and less costly than comparable jobs. The company, of course, has an outstanding record of fighter-plane production, making history with its P-38 in World War II and the F-80 in Korea. Missile sales are growing rapidly, with volume approaching a $40 million annual level. Company this year sold $30 million of debentures. Funds are to be used for capital needs.

DIVIDENDS: The stock receives 60 cents at quarterly intervals. A cash extra of 60 cents was paid last December, bringing 1955 total to $3. Cash disbursements have been supplemented by stock dividends from time to time. The most recent was 5% in stock, declared in October, 1954.

MARKET ACTION: Recent price of 45 compares with a 1955-56 price range of High—64¼, Low 40⅝. At current price (based on 1955 disbursements) yield is 6.7%.

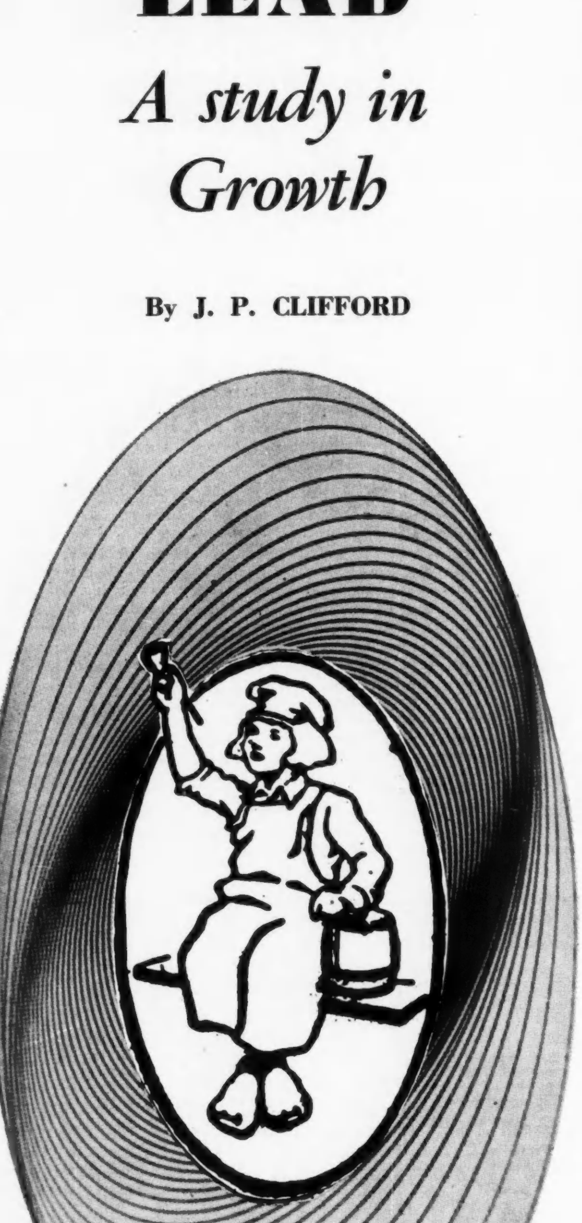
COMPARATIVE BALANCE SHEET ITEMS

	December 31 1946	1955	Change
ASSETS		(000 omitted)	
Cash & Marketable Securities	$ 16,748	$ 64,774	+$ 48,026
Receivables, Net	7,260	68,840	+ 61,580
Inventories	53,056	107,778	+ 54,722
Other Current Assets	12,971	8,647	— 4,324
TOTAL CURRENT ASSETS	90,035	250,039	+ 160,004
Net Property	5,478	40,220	+ 34,742
Other Assets	10,165	8,807	— 1,358
TOTAL ASSETS	$105,678	$299,066	+$193,388
LIABILITIES			
Notes & Accounts Payable	$ 39,789	$ 37,945	—$ 1,844
Accrued Taxes	1,054	21,028	+ 20,974
Advances & Deposits on Contracts	8,623	80,370	+ 71,747
Other Current Liabilities	4,917	25,686	+ 20,769
TOTAL CURRENT LIABILITIES	54,383	165,029	+ 110,646
Long Term Debt	10,000	29,987	+ 19,987
Capital Stock	1,076	2,831	+ 1,755
Paid-in Surplus	10,630	26,045	+ 15,415
Earned Surplus	29,275	68,903	+ 39,628
Other Liabilities	314	6,271	+ 5,957
TOTAL LIABILITIES	$105,678	$299,066	+$193,388
WORKING CAPITAL	$ 35,652	$ 85,010	+$ 49,358
CURRENT RATIO	1.6	1.5	— .1

NATIONAL LEAD

A study in Growth

By J. P. CLIFFORD

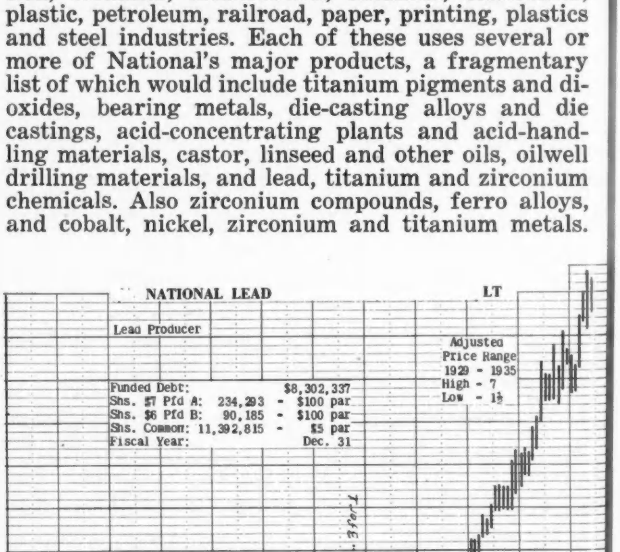


Because of the universal reputation earned by its line of "Dutch Boy" brand paints, National Lead Co. is recognized by the constructin and maintenance industries, the "do-it-yourself" home-owner and others as one of the leading paint manufacturers.

The production of paint, however, is only one of many diversified items which, other than paint, never reach the public in their original form. All of these are important contributors to sales and earnings. Last year, National Lead and its wholly-owned domestic subsidiaries' diversified activities resulted in net sales of $533.7 million.

This was an increase of $114.4 million, or 26.2% over, consolidated sales for 1954, setting a new record for the third successive year. The increase in 1955 net income over the previous year was even greater, reaching $47.8 million, 31% over 1954's $36.6 million, with common share earnings rising from $3.05 for that year to $4.02 for 1955. Further highlighting the record is the growth in net sales from $167.4 million for 1946 and the increase in net earnings from that year's $9.6 million. Moreover, net income for 1955 represented a return of 9% on the sales dollar.

To enumerate the many products of the company would require a list that would go on, ad infinitum. Through 22 domestic branches and divisions and 33 wholly or partially owned foreign and domestic companies, the National organization supplies a great variety of materials and products to practically every basic industry. These include the automotive, aviation, ceramics, construction, chemical, electronics, plastic, petroleum, railroad, paper, printing, plastics and steel industries. Each of these uses several or more of National's major products, a fragmentary list of which would include titanium pigments and dioxides, bearing metals, die-casting alloys and die castings, acid-concentrating plants and acid-handling materials, castor, linseed and other oils, oilwell drilling materials, and lead, titanium and zirconium chemicals. Also zirconium compounds, ferro alloys, and cobalt, nickel, zirconium and titanium metals.



1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955
.48	.82	1.09	1.21	1.29	2.41	2.05	2.06	2.58	3.05	4.02
.33⅓	.50	.66⅔	*.41⅔	.75	1.33⅓	1.41⅔	1.45	1.75	2.10	2.85
50.4	55.8	60.2	63.7	62.5	75.0	67.5	69.1	91.8	104.5	113,1

* plus 10% stk div.

For years, National has been one of the foremost miners of ilmenite, the titanium-bearing ore. At Tahawus, N. Y., it has what is considered the largest single source of ilmenite in the world. It also has deposits in Florida and in Norway, the latter mine, together with processing facilities, supplying a wholly-owned German subsidiary producing titanium pigment on an increasing scale to meet world market demand. Another subsidiary, Canadian Titanium Pigments Ltd., will construct, at a cost of approximately $15 million, Canada's first titanium pigment plant to supply the Canadian market.

At Tahawus a 25% expansion in the capacity of mine and mill, already the largest operation of its kind in the world, is to be completed this year. Included in the plans is a fifth production mill, where the ore, which is blasted, through open-bench working, out of a series of ledges, is concentrated for shipment to National's titanium pigment mills in Sayerville, N. J., and St. Louis.

Considering its extensive operations in titanium and its vast ilmenite deposits, National's interest in titanium, the metal, was a natural development. Simultaneously with the industrial birth of titanium metal six years ago, the company, together with Allegheny Ludlum Steel Corp., formed the jointly owned Titanium Metals Corp. of America to produce titanium metal, its alloys and related products.

Comparative Balance Sheet Items

ASSETS	December 31 1946	1955 (000 omitted)	Change
Cash & Marketable Securities	$ 30,075	$ 68,209	+$ 38,134
Notes & Accounts Receivable	15,520	50,602	+ 35,082
Inventories	32,617	77,569	+ 44,952
Other Current Assets	53	379	+ 326
TOTAL CURRENT ASSETS	78,265	196,759	+ 118,494
Plant & Equipment, Net	30,082	102,138	+ 72,056
Investments	5,149	13,460	+ 8,311
Trade Marks & Goodwill	20,692	20,706	+ 14
Other Assets	10,955	3,349	— 7,606
TOTAL ASSETS	$145,143	$336,412	+$191,269
LIABILITIES			
Accounts Payable	$ 9,508	$ 21,611	+$ 12,103
Accrued Taxes	12,382	53,662	+ 41,280
Other Current Liabilities	510	8,326	+ 7,816
TOTAL CURRENT LIABILITIES	$ 22,410	$ 83,599	+$ 61,189
Fire Insurance Reserve	4,797	....	— 4,797
Pension Reserve	4,420	....	— 4,420
Reserve for Contingencies	4,080	....	— 4,080
Inventory Reserve	9,735	11,552	+ 1,817
Preferred Stock	34,605	34,696	+ 91
Common Stock	25,935	54,269	+ 28,334
Earned Surplus	38,159	130,882	+ 92,723
Other Liabilities	1,002	21,414	+ 20,412
TOTAL LIABILITIES	$145,143	$336,412	+$191,269
WORKING CAPITAL	$ 55,855	$113,160	+$ 57,305
CURRENT RATIO	3.5	2.4	— 1.1

Its Interest in Titanium Metal Production

TMCA got off to a unique start. It began operating as the only integrated titanium metal producer in the United States. It still holds that distinction six years later. At its Henderson, Nev., plant, it draws upon National Lead for supplies of ilmenite and rutile ores which are processed into pure sponge and then melted and poured into ingots. These are shipped to Allegheny Ludlum which processes them into forgings, bars, sheet, strip, wire and extruded tubing and bar-size shapes.

Last year, the Henderson facilities operated at full capacity of 3,600 tons to meet requirements for military aircraft and the increasing demand for commercial aircraft.

Although shipments by the entire industry reached close to 4 million pounds in 1955, or 46% higher than in 1954, current year's requirements have been put at 9 million pounds. To meet this spiraling demand for titanium metal, TMCA is engineering facilities to step up output by 67%, or from 3,600 tons reached last year to an annual capacity of 6,000 tons of titanium sponge. This increase will be entirely company-financed, reflecting the wisdom of the policy of retaining accumulated earnings for future development and growth.

National Lead also is an important factor in the production of nickel through its majority stock interest in the Nickel (*Please turn to page* 616)

Long-Term Operating and Earnings Record

	Net Sales (Millions)	Operating Income (Millions)	Operating Margin	Income Taxes (Millions)	Net Income (Millions)	Net Profit Margin	Net Per Share	Div. Per Share	Percent Earned on Invested Capital	Price Range High Low
1956 (1st six months)	$289.2	$56.7[1]	19.3%[2]	$27.7	$29.0	10.0%	$2.45	$1.50[3]	......	120 -76½[4]
1955	533.7	86.0	17.1	41.6	47.9	9.0	4.02	2.85	20.6%	90⅜-54¼
1954	419.3	63.9	16.2	30.5	36.7	8.7	3.05	2.10	17.1	38¼-29⅝
1953	436.0	59.1	13.5	31.9	30.8	7.0	2.54	1.75	15.3	38¾-29⅝
1952	358.0	43.4	12.1	25.3	23.0	6.4	2.06	1.45	14.9	33 -25¾
1951	389.9	57.1	14.6	36.6	22.9	5.9	2.05	1.41	15.5	33½-27½
1950	342.7	50.8	14.8	28.0	26.9	7.7	2.41	1.33	20.4	23¼-11⅝
1949	257.4	20.5	8.0	6.4	14.7	5.7	1.29	.75	12.4	12¾- 8½
1948	320.4	25.2	7.8	13.3	13.3	4.1	1.15	.41	11.7	16 - 9¾
1947	268.0	21.0	7.8	11.7	12.1	4.5	1.09	.66	11.8	12¼- 8½
1946	167.4	14.5	8.7	7.0	9.6	5.7	.82	.50	9.7	13⅜- 9

1—Pre-tax income.
2—Pre-tax margin.
3—To June 29, 1956.
4—To July 16, 1956.

FOR PROFIT AND INCOME

Utilities

We recently cited Florida Power and Florida Power & Light as attractive profit-and-income stocks, featuring low risk and promise of substantial long-term appreciation. Both have since risen appreciably to new highs. For a long time we have pointed out the investment merits of growth utilities for capital gain and eventual excellent return; and of other selected utilities for good current return. Now, with most popular industrials over-priced and with rails getting nowhere, more and more brokers are "plugging" utilities. We don't mind having some company in this instance. Comparing current yields with those at past bull-market extremes, and comparing their ratios to bond yields, utilities are at much less advanced levels than are most better-grade industrials. In addition to the two cited, other electric utility stocks recently recording new highs include: American Gas & Electric, Central & South West, Houston Lighting, Virginia Electric & Power, Utah Power & Light, Kansas Power & Light, Delaware Power & Light and Public Service of Colorado.

Growth

The obvious primary reasons for continuing increase in residential consumption of electricity (the most profitable segment of the business) are (1) rising living standards, as translated into more appliances per home; and (2) growth of population, as translated into a considerable annual addition to the number of occupied homes. Both are country-wide factors; but rates of population growth vary substantially on a sectional and state basis. Here are some officially projected population gains by 1965: Nevada 49.1%, Arizona 43.5%, California 41.9%, Florida 41.1% and Oregon 30.9%. At the opposite extreme is North Dakota with an estimated gain of only 0.9%. Gains below the national average are indicated for Montana, Idaho, Wyoming, South Dakota, Nebraska, Colorado, Kansas, Oklahoma, Minnesota, Iowa, Missouri, Arkansas, Wisconsin, Illinois, Indiana, Ohio, Kentucky, Tennessee, Mississippi, Alabama, Georgia, South Carolina, North Carolina, West Virginia, Pennsylvania, New York, New Jersey and all of New England, with the exception of Connecticut. Gains moderately above average are projected for the latter and also for Delaware, Maryland, Virginia, Michigan, Louisiana, Texas, New Mexico, Utah and Washington. Although by no means the whole story, these variations must be considered in selecting utility stocks. It does not make much difference whether a state's rate of gain is moderately above or moderately below the na-

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1956	1955
American Broadcasting — Par. Theat.	6 mos. June 30	$ .97	$0.75
American Cyanamid	6 mos. June 30	2.18	1.99
Bayuk Cigars	6 mos. June 30	.87	.63
Diamond Alkali	6 mos. June 30	2.11	1.53
Elliott Co.	6 mos. June 30	1.40	.09
General Cable	6 mos. June 30	1.93	1.27
Heinz, H. J.	52 weeks May 2	6.09	5.02
Ideal Cement	6 mos. June 30	2.09	1.99
Lindsay Chemical	6 mos. June 30	1.76	.90
Pullman	6 mos. June 30	3.21	1.77

tional average. But when you note, for example, that the projected gain for Florida is nearly four times that of New York and nearly eight times that of Nebraska, it can make plenty of difference in utility prospects.

Potential

Growing use of such comparatively new power consumers as television sets and air-conditioners has added importantly to utility revenue. For the future, the most spectacular potential, especially in the South, is in heat pumps for heating and cooling. Only a few thousand now are in use, the greatest number of them in Florida. Demand will increase progressively as volume brings initial installation costs down. Varying with climate, a heat pump boosts per-home use of electricity by anywhere from four to seven times. Operating costs in suitable climates already are competitive with combined costs of heating and cooling with other equipment. It will take time, but the promise is large – which is why a number of utilities and manufacturers are enthusiastically interested in heat pumps.

Natural Gas

The natural-gas stocks are performing well. As a group, they currently are at a new high, but are less advanced – both in their long-term range and on a yield basis – than representative industrials. Among the more promising issues are Consolidated, Mississippi River Fuel, Southern Natural Gas, El Paso, Texas Eastern and United Gas.

Speculation

Airline stocks have lagged for some time. Among them, Capital Airlines shows "perking up" tendencies at this writing, standing around 35 in a 1956 range to date of 41½-30¼. Earnings this year probably will be under 1955's $4.55 a share, which was provided principally by capital gains from sales of old planes and by special credits. No dividends are being paid. Poor weather during much of the spring and the operating costs involved in the company's shift to turboprop planes have been retarding factors. Speculative possibilities in the issue center in the following facts: (1) The company's routes have been extended to some important additional centers, including New York. (2) Its turboprop planes have an edge in popularity with travelers, in maintenance costs and in break-even point in load factor (percentage of seats filled). (3) It expects to have around 60 of these Viscount (British) planes in service by early 1957, and more will be delivered to it during the next year. All of this suggests a good gain in revenue ahead, and a possible sharp spurt in earnings. The other side of the picture is that the advantage of getting the jump on competitors, by being the first line to get turboprops into regular operation, will be temporary. Other lines will, in due time, be flying turboprops or full-jet planes, and principally the latter on long-haul business.

Strong

Among industrial stocks performing well at this time are: American Home Products, Atlas Powder, Babcock & Wilcox, Beckman Instruments, Bucyrus Erie, Caterpillar Tractor, Clark Equipment, Continental Can, Eastman Kodak, National Lead, Lily-Tulip Cup, McGraw Electric, National Acme, National Cash Register, Merck, National Supply, Gulf Oil, Phillips Petroleum, Sunray Oil, Thompson Products and U. S. Plywood.

Soft

But it is still a mixed, two-way market. In recent trading up to this writing, some of the "soft sisters" include: Canada Dry, Decca Records, Florence Stove, Freeport Sulphur, Natomas, Raytheon, Republic Aviation, Avco, Davega, Hoffman Electronics, Fajardo Sugar and Servel.

General Electric

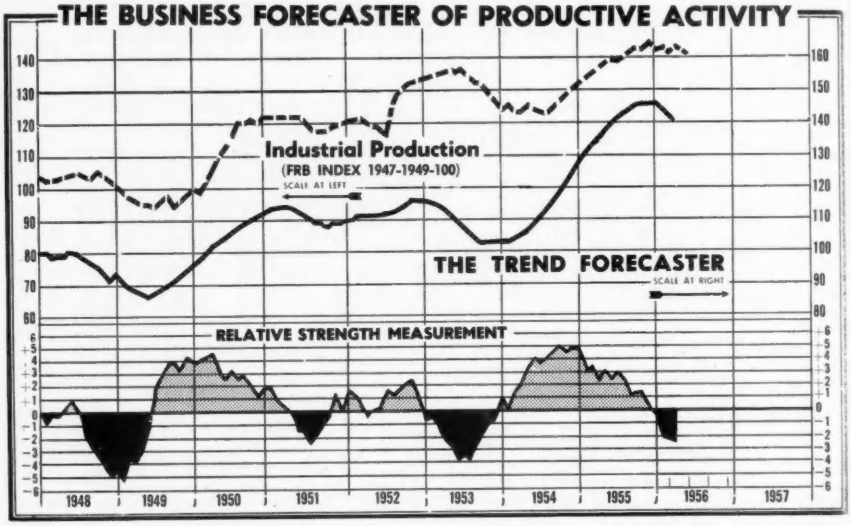
General Electric is, of course, a fine company. Those who bought the stock for long-pull investment in earlier years at lower prices have reason to stay with it. But it is not attractive for new buying at 64½; and those who have bought it heretofore primarily for capital gain in this bull market might well consider partial or full profit-taking. Sales and net are at record levels, but profit growth is not dynamic; and operating margins are under pressure. Comparing 1955 with 1950, sales were up about 58%, net income only 15.5%. Operating margin was 20.3% in 1950 (best figure in the postwar period), and was down to 13.9% last year. Capital expenditure for expansion and improvements has totaled $1.2 billion since the end of World War II, and is scheduled at $550 million for the three years 1956-1958. Previously debt-free, the company recently had to augment capital by sale of $300 million of debentures. Capital outlays have paid off in sales, less so in profits; and their benefit to margins since 1950 has been negative. That is, without large outlays for improved facilities, margins undoubtedly would have narrowed more. First-half net set a record at $1.30 a share, against $1.25 a year ago – but was 5.8% of gross, against 6.4% a year ago. Profit might reach $2.50 a share or so this year. The stock is priced at about 26 times this figure and at over 27 times 1955 earnings. The $2 dividend (80% of estimated 1956 net) should not be raised unless and until net goes considerably higher. Despite the calibre of the company, this is a cyclical situation. Earnings and dividends have fallen sharply in past periods of poor general business. Here are the stock's approximate bear-market declines: 1929-1932, 92%; 1937-1938, 58%; 1946-1947, 39%; and 1948-1949, 21%. Each was greater than the comparable decline in the Dow industrial average. Only in the mild eight-month decline in 1953 did it hold up bet-

(*Please turn to page* 628)

DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1956	1955
A C F Industries	Year April 30	$6.08	$6.62
Anchor Hocking Glass	6 mos. June 30	2.08	2.16
Cream of Wheat	12 mos. June 30	1.97	2.12
Loew's, Inc.	40 weeks June 7	.51	.88
National Tea	24 weeks June 16	1.36	1.54
Solar Aircraft	Year April 30	2.26	2.52
Central Foundry	6 mos. June 30	.79	.94
Dr. Pepper	6 mos. June 30	.61	.92
Stanley Works	6 mos. June 30	2.26	2.52
Thompson Products	6 mos. June 30	1.72	2.42

the Business



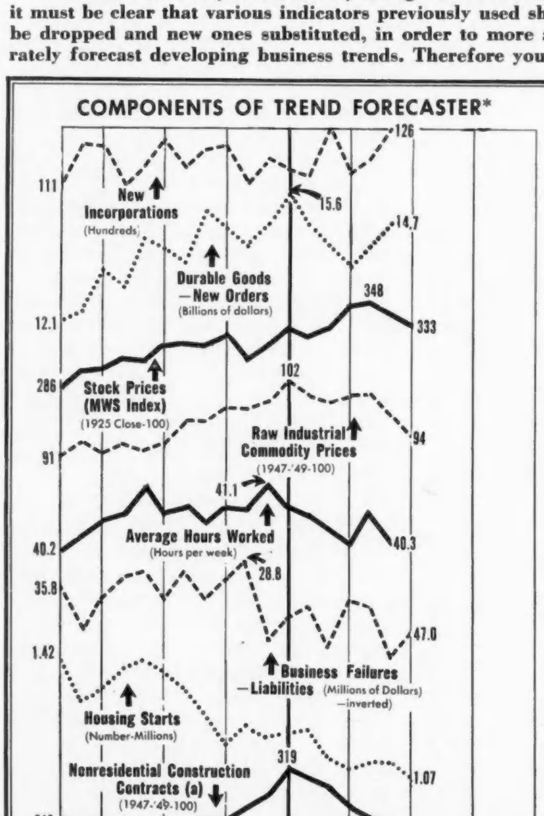
Business Trend Forecaster

With the many revolutionary changes in our economy, it must be clear that various indicators previously used should be dropped and new ones substituted, in order to more accurately forecast developing business trends. Therefore you will be greatly interested in the newly devised *Trend Forecaster*, developed over a period of several years, which employs those indicators which we have found to most accurately project coming trends in business.

We use the indicators (Components of Trend Forecaster) which are in this class and have been selected by us as the basis for the *Trend Forecaster* above. When the *Forecaster* changes its direction up or down a corresponding change in our economy may be expected several months later.

The depth or height of the developing trend is clearly presented in our *Relative Strength Measurement* line, which reflects the rate of expansion or contraction in the making. When particularly favorable indications cause a rise that exceeds plus 3 for a period of time, a strong advance in general business is to be expected. On the other hand, penetration of minus 3 on the down side usually precedes an important contraction in our economy.

We believe that subscribers will find our new Business Trend Forecaster of increasing usefulness both from the investment and business standpoints.



*—Seasonally adjusted except stock and commodity prices.
(a)—3 month moving average.

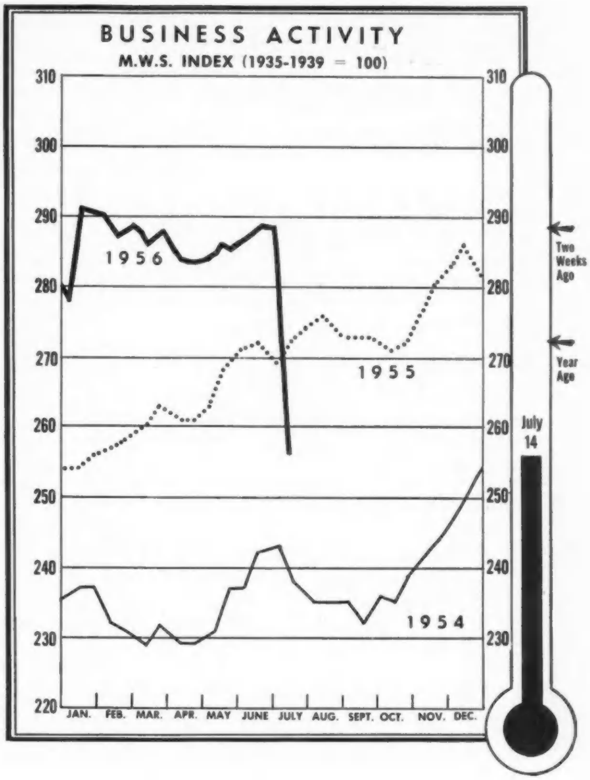
Current Indications of the Forecaster

Most components of the **Trend Forecaster** are still declining, according to latest available data. On the basis of moving averages, which are used for each series in order to eliminate erratic fluctuations, only new incorporations and stock prices are still in rising trends. The latter declined in June, but not enough to reverse its longer-term indications, and the rally in July marks continuation of this uptrend.

As noted in our previous issue, the **Trend Forecaster** has been declining steadily so far this year. The latest figure, which is for April, continued this trend, normally a sign that business weakness would extend at least till early Fall. At the same time, the **Relative Strength Measurement** by holding above minus 3, has indicated that the re-adjustment would be mild.

The steel strike, of course, has caused a temporary distortion of output figures, as the result of the abrupt cut in production which will be followed by an automatic rebound. However, keeping current readings of the **Forecaster,** in mind, we can expect the recovery to be of a temporary nature, to be followed by a period of further business correction.

Analyst



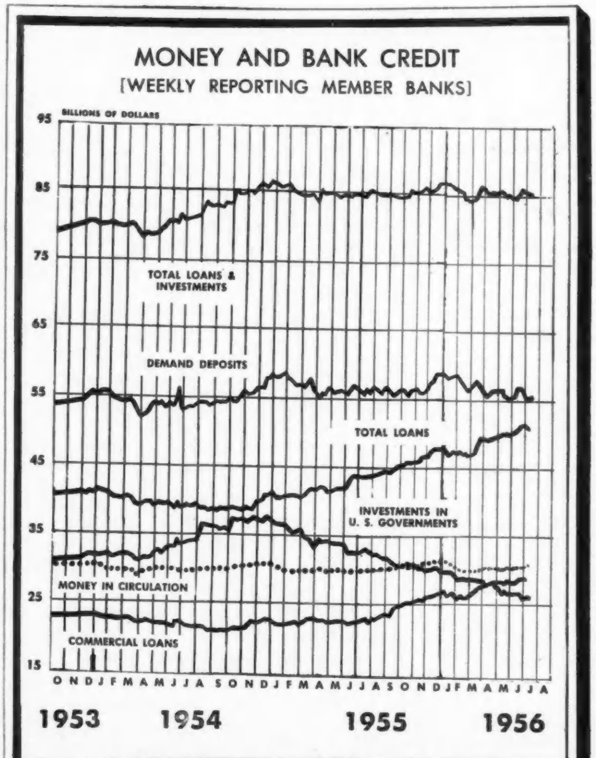
CONCLUSIONS IN BRIEF

INDUSTRY — Industrial output down an estimated 5% in July. Most users find steel inventories adequate, but construction has been hampered by shortages. Sharp near-term rebound after steel strike settlement may prove short-lived.

TRADE — June retail sales match record May dollar volume, with nondurables making the best showing. Strike centers experience some decline in consumer demand by mid-July.

MONEY & CREDIT — Long-term bonds weaken as heavy borrowing for the purpose of capital expansion exerts pressure on yields. Treasury exchange offer of short-term notes for maturing obligations gets indifferent reception.

COMMODITIES — Moderate price improvement noted in first two weeks of July. Metals strengthen but lag continues in other industrial raw materials. Farm prices hold gains chalked up in recent months. Higher food prices spur living costs to new high in June.



The divergent trends which have characterized **BUSINESS CONDITIONS** in recent months, were still in evidence just prior to the steel strike. On the side of weakness we have such items as housing starts, down 13% from a year ago, and apparently destined for further decline, if the drop in FHA applications and VA appraisal requests, in any guide. Auto output has been slashed by more than 30% from year-earlier levels and this has cast its shadow on a wide range of related industries. Household appliances have suffered also, with inventory pile-ups forcing production cuts. Added to these factors, at the moment, is the sharp contraction in steel output, induced by the strike.

Turning to the brighter side, we have an equally imposing array of areas that are still expanding. These include retail sales of nondurables, personal income, plant and equipment outlays and the gross national product itself. Resumption of steel output will also spark a rapid spurt of activity in that sector.

Viewing the economy as a whole, we perceive that counterbalancing forces have resulted in keeping business in a state of over-all balance. This has generally been viewed as in the nature of a rolling readjustment which should eventually eliminate any existing maladjustments.

A more sober contingency, however, is the possibility that we are witnessing the formation of a major top for business. Supporting this theory is the fact that today's still expanding sectors have a rather uniform history of reaching a peak late in the business boom. Current areas of construction, moreover, have in the past, provided early warnings of trouble ahead.

(Please turn to following page)

Essential Statistics

THE MONTHLY TREND	Unit	Month	Latest Month	Previous Month	Year Ago
INDUSTRIAL PRODUCTION* (FRB)	1947-'9-100	June	141	142	139
Durable Goods Mfr.	1947-'9-100	June	156	157	155
Nondurable Goods Mfr.	1947-'9-100	June	128	129	128
Mining	1947-'9-100	June	130	130	122
RETAIL SALES*	$ Billions	May	15.9	15.5	15.4
Durable Goods	$ Billions	May	5.4	5.3	5.5
Nondurable Goods	$ Billions	May	10.5	10.2	9.9
Dep't Store Sales	1947-'9-100	May	122	122	117
MANUFACTURERS'					
New Orders—Total*	$ Billions	May	28.7	27.8	27.7
Durable Goods	$ Billions	May	14.7	14.1	14.3
Nondurable Goods	$ Billions	May	14.0	13.7	13.4
Shipments*	$ Billions	May	27.7	27.2	26.7
Durable Goods	$ Billions	May	13.8	13.5	13.3
Nondurable Goods	$ Billions	May	13.9	13.7	13.3
BUSINESS INVENTORIES, END MO.*	$ Billions	May	85.2	84.5	78.3
Manufacturers'	$ Billions	May	48.6	48.0	43.5
Wholesalers'	$ Billions	May	12.7	12.6	11.8
Retailers'	$ Billions	May	23.9	23.9	23.0
Dept. Store Stocks	1947-'9-100	May	134	136	124
CONSTRUCTION, TOTAL	$ Billions	June	4.0	3.7	3.9
Private	$ Billions	June	2.7	2.5	2.8
Residential	$ Billions	June	1.4	1.3	1.5
Nonresidential	$ Billions	June	0.8	0.7	0.6
Housing Starts*—a	Thousands	June	1,070	1,110	1,110
Contract Awards, Residential—b	$ Millions	June	826	1,129	951
All Other—b	$ Millions	June	1,352	1,351	1,204
EMPLOYMENT					
Total Civilian	Millions	June	66.5	65.2	65.0
Non-Farm	Millions	June	51.5	51.1	49.4
Government	Millions	June	7.1	7.2	6.9
Trade	Millions	June	11.0	11.0	10.6
Factory	Millions	June	13.1	13.0	13.1
Hours Worked	Hours	June	40.1	40.0	40.7
Hourly Earnings	Dollars	June	1.98	1.96	1.87
Weekly Earnings	Dollars	June	79.40	78.40	76.11
PERSONAL INCOME*	$ Billions	May	323	321.7r	304.3r
Wages & Salaries	$ Billions	May	223	2,23r	2,09r
Proprietors' Incomes	$ Billions	May	50	50r	50r
Interest & Dividends	$ Billions	May	29	29r	27r
Transfer Payments	$ Billions	May	19	19r	18r
Farm Income	$ Billions	May	15	15r	16r
CONSUMER PRICES	1947-'9-100	June	116.2	115.4	114.4
Food	1947-'9-100	June	113.2	111.0	111.3
Clothing	1947-'9-100	June	104.8	104.8	103.2
Housing	1947-'9-100	June	121.4	120.9	119.7
MONEY & CREDIT					
All Demand Deposits*	$ Billions	May	105.7	107.2	104.8
Bank Debits*—g	$ Billions	May	80.0	75.5	71.0
Business Loans Outstanding—c	$ Billions	May	27.8	27.8	22.6
Instalment Credit Extended*	$ Millions	May	3,051	3,227	3,103
Instalment Credit Repaid*	$ Millions	May	2,904	2,987	2,635
FEDERAL GOVERNMENT					
Budget Receipts	$ Billions	June	11.6	7.1	10.7
Budget Expenditures	$ Billions	June	6.8	5.5	6.8
Defense Expenditures	$ Billions	June	4.3	3.3	3.9
Surplus (Def) cum from 7/1	$ Billions	June	1.8	(3.0)	(4.2)

PRESENT POSITION AND OUTLOOK

Current developments, therefore, have their disquieting aspects. However, it should be noted that we have found ourselves in similar situations earlier in the post-war period, and in each case the areas of strength have been so vigorous that they have been able to prevent a full-scale downturn. If this again proves to be the case in coming months it will be of prime importance for the future trend of business.

* * *

The **BOND MARKETS** have weakened considerably during July, hardly a surprising development in view of popular expectation that business would recover quickly after the steel strike and that containment of inflationary pressures would then be the principal concern of the monetary authorities.

Downward pressure on the market is also being exerted by the recent outpouring of new issues and by the formidable backlog of new financing that will be coming to market later this year. Capital expansion outlays are the prod accounting for the urgent need of funds, a situation that is well illustrated by American Telephone & Telegraph's recent money-raising activities. Not content with the $250 million received in a recent borrowing, the company is planning a $575 million equity financing this Fall. In these circumstances, it is no wonder that buyers are getting favorable terms.

In the present state of the bond market, the Treasury prudently offered short-term notes in exchange for $12.9 billion of maturing obligations. The refunding nevertheless was hardly a shining success, with holders of $900 million worth of the issues being turned in for cash.

* * *

CONSTRUCTION OUTLAYS rose seasonally in June, reaching a new high of $4.0 billion, despite continued lag in residential building. The gain from a year ago for all construction was 1% while private residential building was 12% lower. The big advance over last year was in private nonresidential construction, which posted a 19% gain. Industrial building was up 35% and commercial building was 12% higher. Public utilities spent 9% more for this purpose and railroads had a 12% gain. Public construcin June amounted to $1.3 billion, a 9% advance over a year ago. In this sector, biggest gains were in outlays for highways and for public service enterprises.

* * *

and Trends

QUARTERLY STATEMENT FOR THE NATIONAL ECONOMY

In Billions of Dollars—Seasonally Adjusted, at Annual Rates

SERIES	1956 I QUARTER	1955 IV Quarter	1955 III Quarter	1955 I Quarter
GROSS NATIONAL PRODUCT	398.6	397.3	392.0	375.3
Personal Consumption	258.8	257.2	255.7	245.8
Private Domestic Invest.	62.4	63.2	60.5	54.1
Net Foreign Investment	0.0	—0.3	0.0	—0.4
Government Purchases	77.4	77.2	75.8	75.8
Federal	45.7	46.3	45.5	46.4
State & Local	31.7	31.0	30.2	29.4
PERSONAL INCOME	313.6	311.5	306.1	293.6
Tax & Nontax Payments	36.6	35.4	34.4	32.6
Disposable Income	277.0	276.0	271.7	261.0
Consumption Expenditures	258.8	257.2	255.7	245.8
Personal Saving—d	18.2	18.8	16.0	15.3
CORPORATE PRE-TAX PROFITS*	45.5f	46.8	44.5	40.9
Corporate Taxes	22.8f	23.5	22.3	20.5
Corporate Net Profit	22.7f	23.3	22.2	20.4
Dividend Payments	11.7	12.2	11.0	10.2
Retained Earnings	11.0	11.1	11.2	10.2
PLANT & EQUIPMENT OUTLAYS	32.8	31.5	29.7	25.7

THE WEEKLY TREND

	Unit	Week Ending	Latest Week	Previous Week	Year Ago
MWS Business Activity Index*	1935-'9-100	July 14	256.4	260.0	272.4
MWS Index—per capita*	1935-'9-100	July 14	199.0	211.8	214.4
Steel Production	Thousand Tons	July 21	377	2,114	2,190
Auto Production	Thousands	July 21	147.2	146.2	208.4
Paperboard Production	Thousand Tons	July 21	249	203	264
Lumber Production	Thous. Board Ft.	July 14	208	155	231
Electric Power Output*	1947-'49-100	July 14	209.5	217.0	202.1
Freight Carloadings	Thousand Cars	July 14	620	478	799
Engineering Constr. Awards	$ Millions	July 19	391	657	361
Department Store Sales	1947-'9-100	July 14	99	90	97
Demand Deposits—c	$ Billions	July 11	55.3	55.2	56.1
Business Failures	Number	July 19	223	251	172

PRESENT POSITION AND OUTLOOK

NET WORKING CAPITAL of U.S. corporations continued to increase in the first quarter of 1956, reaching $105.6 billion at the end of March, a $3.2 billion rise from year-end levels. The gain in working capital resulted from a $3.2 billion drop in current liabilities which was only partially offset by a $1.2 billion reduction in current assets.

CORPORATE LIQUIDITY on the other hand, was reduced in the latest period. Holdings of cash and U.S. Government securities fell by $5.5 billion in the first quarter and liquidity, as measured by the ratio of these two items to current liabilities reached its lowest level since the early 1940's. Main causes of the decrease in liquidity were large tax payments and sizeable additions to inventory investments.

* * *

CASH DIVIDEND PAYMENTS by corporations issuing public reports, amounted to $1,623 million in June, a 17% advance over the corresponding 1955 month. Sharpest year-to-year gain was in manufacturing with an improvement of 19%. Best showing in this group was among auto makers and producers of nonferrous metals.

Total dividend payments for the first half of 1956 came to $5,359 million, 17% ahead of last year's January-June period.

*—Seasonally adjusted. (a)—Private starts, at annual rates. (b)—F. W. Dodge, for 37 states. (c)—Weekly reporting member banks. (d)—Excess of disposable income over personal consumption expenditures. (e)—Bur. of Labor Statistics data. (f)—Estimated by Council of Economic Advisors. (g)—337 non-financial centers. Other Sources: Federal Reserve Bd., Commerce Dept., Securities & Exch. Comm., Budget Bureau. (r)—Revised.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

No. of Issues (1925 Cl.—100)	1956 Range High	1956 Range Low	1956 July 13	1956 July 20
300 Combined Average	351.3	315.9	347.0	349.7
4 Agricultural Implements	327.1	251.9	278.0	291.1
3 Air Cond. ('53 Cl.—100)	113.8	98.8	107.8	109.8
9 Aircraft ('27 Cl.—100)	1196.2	1064.6	1160.3	1148.4
7 Airlines ('27 Cl.—100)	1117.4	950.3	1023.4	1002.5
4 Aluminum ('53 Cl.—100)	544.5	337.1	529.7	544.5H
6 Amusements	172.3	147.2	166.0	169.1
9 Automobile Accessories	373.7	334.5	363.0	363.0
6 Automobiles	52.2	47.1	48.6	50.2
4 Baking ('26 Cl.—100)	28.7	26.7	27.3	27.3
3 Business Machines	1162.3	831.5	1126.6	1162.3H
6 Chemicals	652.3	556.5	628.3	622.3
4 Coal Mining	23.5	19.2	22.7	22.9
4 Communications	114.3	100.7	105.9	105.9
9 Construction	140.0	112.3	136.4	140.0H
7 Containers	846.0	731.7	815.6	846.0H
7 Copper Mining	361.3	283.7	319.5	325.5
2 Dairy Products	120.0	111.7	120.0	120.0
6 Department Stores	91.8	85.3	90.9	90.9
5 Drugs-Eth. ('53 Cl.—100)	198.3	165.0	194.8	191.3
6 Elec. Eqp. ('53 Cl.—100)	219.0	178.9	219.0	213.5
2 Finance Companies	613.7	542.2	595.8	607.7
6 Food Brands	301.6	284.0	298.7	298.7
3 Food Stores	175.3	157.6	165.6	168.8

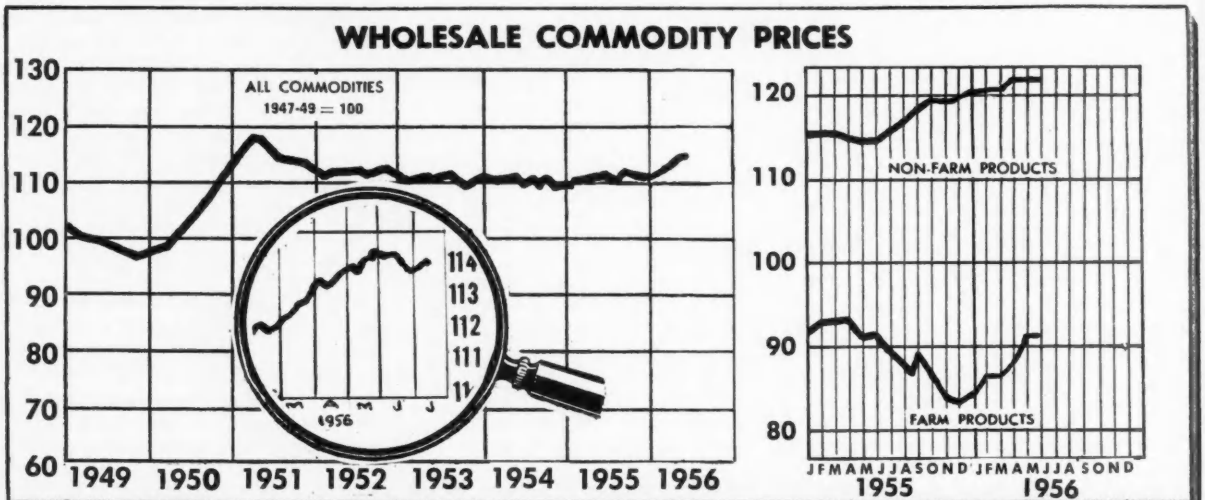
(Nov. 14, 1936 Cl.—100)	High	Low	1956 July 13	1956 July 20
100 High Priced Stocks	241.5	209.2	239.3	241.5H
100 Low Priced Stocks	411.1	378.9	402.1	405.2
4 Gold Mining	882.7	734.4	727.0	756.6
4 Investment Trusts	171.2	150.8	158.7	158.7
3 Liquor ('27 Cl.—100)	1076.2	974.7	1045.8	1045.8
9 Machinery	490.0	370.4	486.1	490.0H
3 Mail Order	217.3	186.6	206.3	199.7
4 Meat Packing	170.7	127.7	159.9	155.9
5 Metal Fabr. ('53 Cl.—100)	213.2	183.3	203.8	205.7
10 Metals, Miscellaneous	464.9	404.7	430.5	434.8
4 Paper	1301.8	997.3	1291.3	1301.8
22 Petroleum	872.3	675.8	851.5	872.3H
21 Public Utilities	261.5	246.4	258.9	258.9
7 Railroad Equipment	95.1	85.2	92.4	94.2
20 Railroads	82.0	71.3	75.9	75.9
3 Soft Drinks	544.8	502.5	513.0	502.5L
12 Steel & Iron	336.9	283.8	324.4	327.5
4 Sugar	66.2	60.1	63.8	65.0
2 Sulphur	950.2	813.2	813.2	822.3
11 Television ('27 Cl.—100)	44.5	37.1	37.5	37.5
5 Textiles	184.4	151.2	154.9	153.1
3 Tires & Rubber	201.0	169.9	195.5	197.3
5 Tobacco	96.7	91.0	93.9	93.9
2 Variety Stores	298.8	278.5	290.1	290.1
15 Unclassif'd ('49 Cl.—100)	164.2	144.8	164.2	164.2

H—New High for 1956. L—New Low for 1956.

Trend of Commodities

SPOT MARKETS — Commodity prices continued their upward trend in the two weeks ending July 17 and the Bureau of Labor Statistics' index of spot prices of 22 sensitive commodities rose 1.4%, to close at 88.8% of the 1947-1949 average. Foods were the strongest component of the index, advancing 2.4% while metals were a close second with a 2.1% gain. Other raw industrial materials weakened slightly, including hides, cotton, rubber and wool tops. Fats & oils improved, adding 2.0%.

FUTURES MARKETS — Grain futures were strong in the two weeks ending July 20. Traders were heartened by recent Government action to bolster farm prices, plus expectation that Election-Year considerations would spur further moves along this line. Most industrial materials, and imports, however, failed to follow the lead of grains. Selling pressure was evident in those sectors with the notable exception of copper. Wheat was the direct beneficiary of Government price-raising efforts. The Agriculture Department announced that, beginning September 4, 1956, wheat for export would come primarily from private stocks rather than from CCC holdings. The agency expects that this will increase demand for "free" wheat by 160 million to 180 million bushels annually. With wheat in a balanced position prior to this development, the change in export policy may produce a shortage in "free" supplies, unless the price rises enough to permit CCC sales for domestic purposes. This would be at about $2.60 a bushel at Chicago, or well above current levels. Favored by this good news, December wheat rose 7½ cents during the period, to close at 220.



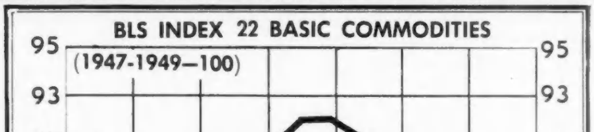
BLS PRICE INDEXES 1947-49—100	July 17, 1956	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
All Commodities	114.0	113.9	113.4	110.5	60.2
Farm Products	90.3	89.2	88.0	89.5	51.0
Non-Farm Products	121.3	121.5	121.3	116.5	67.0
22 Basic Commodities	88.8	87.5	91.9	90.8	53.0
9 Foods	81.3	79.4	81.3	83.6	46.5
13 Raw Ind'l. Materials	94.2	93.5	99.9	96.1	58.3
5 Metals	116.3	113.9	129.0	113.4	54.6
4 Textiles	79.3	79.1	79.9	82.6	56.3

MWS SPOT PRICE INDEX
14 RAW MATERIALS
1923-1925 AVERAGE—100
AUG. 26, 1939—63.0   Dec. 6, 1941—85.0

	1956	1955	1953	1951	1945	1941
High of Year	169.8	164.7	162.2	215.4	98.9	85.7
Low of Year	163.1	153.6	147.9	176.4	96.7	74.3
Close of Year		164.7	152.1	180.8	98.5	83.5

DOW-JONES FUTURES INDEX
12 COMMODITIES
AVERAGE 1924-1926—100

	1956	1955	1953	1951	1945	1941
High of Year	157.2	173.6	166.5	214.5	106.4	84.6
Low of Year	149.8	150.7	153.8	174.8	93.9	55.5
Close of Year		153.1	166.8	189.4	105.9	84.1



Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. The service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject to the following conditions:

1. Give all necessary facts, but brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Norwich Pharmacal Company

"Please submit recent earnings of Norwich Pharmacal Company and include working capital position and prospects."

O. M., Red Bank, N. J.

Record sales in 1955 lifted earnings of the Norwich Pharmacal Company to the highest level in its 70-year history.

Consolidated net income of the company and its subsidiaries rose 35% to $2,771,648 from the previous year's peak of $2,042,435. After provision of $2,995,970 for taxes, the 1955 net was equal to $3.01 per share on 920,208 shares of common stock outstanding at the year-end. This compares with $2.27 earned per share in 1954, on 899,608 outstanding shares after provision of $2,137,450 for taxes.

Consolidated net sales for 1955 totaled $24,826,726, an increase of 19% over 1954's previous record sales of $20,794,421.

The year's substantial gains resulted from greater volume of sales in all major divisions. Although proprietary or consumer products continue to make up the greater portion of total volume, the percentage of this contribution is gradually being reduced by rising sales of professional drug products and fine chemicals. The company's Canadian subsidiary showed a marked improvement in profits while exports and income from licensing agreements with foreign manufacturers or distributors of the company's products were both higher.

Led by established specialty products and several products introduced in the past two years, the company's proprietary business in 1955 exceeded quota expectations. Sales of professional drug products, handled by the Eaton Laboratories' Division, rose 78%, while volume of fine chemicals increased 17% for the year.

For the three months to March 31st, 1956, net sales were $6,283,516, net income $596,360, equal to 64 cents per common share, based on 930,633 shares outstanding. This compares with first quarter 1955 net sales $5,199,071, net profit $369,592, equal to 41 cents per share, based on 899,943 shares outstanding.

Earnings for quarter ended June 30 were $790,881, equal to 84 cents a share, compared with $712,641, or 79 cents a share, in year-ago quarter.

Working capital at the 1955 year-end had increased to $7,792,164 from $6,202,778 of the previous year-end. Inventories on December 31st, 1955 were higher at $3,270,808 while receivables of $5,625,321 were also larger than a year ago. During the year, 20,600 additional shares of common stock were issued through purchase by officers and key personnel under the restricted stock option plan.

The current quarterly dividend is 40 cents per share. Prospects for the balance of 1956 continue favorable.

Daystrom, Inc.

"Please give the comparative sales and earnings of Daystrom for the past two fiscal years and outline the fields in which it is expanding."

D. F., Dover, Dela.

Daystrom, Inc. has been expanding in the growing fields of electrical, electronic and atomic instrumentation.

Sales of $63,193,000 in the fiscal year ended March 31st, 1956 were the second highest on record, with 86% in the electrical, electronic and atomic instrumentation fields.

Earnings during the fiscal year amounted to $1,784,000 or $2.01 a share on the 886,687 shares outstanding. Previous year's earnings were $1,716,000 or $2.61 a share on the 658,761 shares then outstanding. During the past year, substantial one-time expenses were incurred in assimilating new companies together with the closing out of the unprofitable tape recorder line.

Sale of American Type Founders was dictated by a desire to utilize funds in fields of greater earning and growth potentials. Proceeds from the sale were approximately $9,000,000.

The sale, together with retained earnings, strengthened Daystrom's financial position and enabled it to reduce long-term debt from a peak of $7,000,000 during the year, to its year-end level of $2,940,000. The amount of common shares outstanding were reduced by the purchase of 86,495 shares for treasury. Working capital at year-end was at an all-time high of $18,482,000 and amounted to $20.84 per share.

Current quarterly dividend is 30 cents a share. Developments of the past year included the successful integration of Weston Electri-

cal Instrument Corp., Heath Company and Daystrom Pacific Corp. as new operating units into the Daystrom organization, and the sale of American Type Founders.

With the successful completion of the large Navy gunfire control contract, Daystrom Instrument Division had a 65% drop in sales, and at Daystrom Electric, military sales declined 45%. However, total defense backlog of orders at year-end was $18,100,000 against $13,800,000 in the preceding year.

Prospects for the electrical, electronic and atomic instrumentation industries are promising, and Daystrom as a supplier expects to get an increasing share of this growing market. The company estimates billings in the current fiscal year should exceed $70,000,000. Earnings are also expected to show some improvement.

Changed Position for Rail Equipment?

(*Continued from page* 596)

whole (sometimes a minor part), taking in the products of atomic energy, chemicals, power, petroleum, trailer trucks, electronics, earth-moving equipment and more, much more.

Let us look at the non-railroad business of New York Air Brake, which was a $298,000 affair as recently as 1947 and moved up to nearly $31 million last year. The company's Hydreco division makes hydraulic gear pumps, valves and cylinders for earth-moving, highway-building and materials-handling equipment. The Stratopower section of the Watertown division turns out hydraulic equipment for aircraft, missiles, rocket-launchers and radar-scanners. Research here has been a vital factor in development of paraphernalia essential to the military establishment. Kinney division produces components used in the manufacture of light bulbs, radio and television tubes, antibiotics, refrigerators and conditioners. Dudco division turns out pumps and motors, primarily for the Government, for use in industrial machinery. Aurora turns out pumps used for water, gasoline and chemicals. These pumps are used in municipal water systems, public buildings, utilities and manufacturing plants. Finally, the company has completed a new plant at Kalamazoo, Mich., where hydraulic products will be made.

The ACF Story

For ACF, diversification goes back as far as the last century, when the company emerged from an amalgamation of a dozen small, scattered car-building enterprises. That, of course, was horizontal diversity — taking regional car-builders, which were serving carriers in their respective areas, and forging a single top management, a single sales organization, a single research group and, in all, effecting the kind of economies an industrial monolith permitted.

While this far-reaching action created a strong organization, it left unanswered the problem of periodic jolts, an occupational disease peculiar to making railroad equipment. ACF was the first in the field to seek a cure. Its movement into other industries antedated other makers of railway equipment for, back in 1922, it acquired the Carter Carburetor Corp., which gave ACF a sizable stake in the up-and-coming auto industry.

This shrewd move away from sole dependence on the railroads did not solve all the problems of ACF, but it was a step in the right direction, as other companies were to learn many years later. Even in the case of ACF, 80% of its total volume in 1949 volume came from the carriers. That proportion has fallen in the intervening years. It has been demonstrated that ACF can operate profitably even when railroads are contributing as little as 29% to over-all volume.

Its Avion division has increased output sixfold since it was acquired six year ago. It is building electronic components for guided missiles and also is making commercial electronic controls and equipment. Most of ACF's work in atomic energy is classified, but reactor contracts should prove profitable.

The New Westinghouse Air Brake

When Edward O. Boshell became president and chairman of Westinghouse Air Brake five years ago, he entered a business which was dependent on a single industry. He lost no time in diversifying. It was quicker and cheaper to buy new products than to develop them and he was backed up by $25 million in excess working capital. In rapid succession, the company bought four firms out of more than a hundred under consideration. They needed the working capital and Westinghouse needed these new lines. Acquisition of Melpar put the company into electronics, Le Roi gave it entree to a wide line of machinery products for industry, George E. Failing Co. gave it an important line of drilling rigs for the minerals industry and R. G. LeTourneau put the company into earth-moving and highway-building.

Back in 1949, when the company was a servant of the carriers, volume slipped to $76 million from nearly $90 million a year earlier. By 1950, sales were down to $62 million. An all-time high of $172.5 million was attained last year.

With its traditional air-brake business booming this year, the company should set yet another record, despite the bottleneck in steel. A measure of the rebound in the air-brake business is the fact that 23,200 sets of brakes were shipped last year, compared with an anticipated 34,500 this year. The total in 1954 was only 13,500 sets.

Strides at Pullman

Pullman today is a radically different company from the entity that once linked its fortunes solely with the carriers. The company was organized in 1867 as Pullman's Palace Car Co., building and operating sleeping cars and other types of railway cars. In 1947, its sleeping-car business was sold to the railroads, pursuant to court decree in a Federal anti-trust suit.

Three years earlier, however, Pullman was casting about for new lines, doubtless convinced that its monopoly in the sleeping-car field was doomed. It came up with M. W. Kellogg Co., which builds refinery plants and processes for the petroleum industry. Kellogg since has moved into the plastics field on a sizable scale. Trailmobile was acquired in 1951. It is the second largest builder of highway truck-trailers. Pullman also has acquired a sizable stake in atomic energy.

The company got off to a whirlwind start in the first part of this year but, as previously noted, op-

(*Please turn to page* 616)

Once a "social outcast"—today our No. 1 canned product

After it teamed up with tin plate, the luscious tomato found the secret of universal popularity...

IN ITS romantic past, the familiar tomato has been many things: a love token, a social outcast, a medieval medical prescription, a mantel decoration.

Today, of course, it has come into its own as one of the most flavorful and healthful—and zestfully popular—of all mealtime staples.

This picturesque fruit (technically it is a fruit, though used as a vegetable) was superstitiously shunned as poisonous by many, even as recently as the 19th century. It was first generally introduced into the U.S. diet by Maine seafarers as Spanish sauce—now catsup.

After that, the tomato began catching on—fast. And the problem arose: How to meet the mass demand for this seasonable and highly perishable treat the year round?

The answer—*can* it. And it was then that the tomato began making history on the double!

No. 1 Canned Product

From the time a New Jerseyite—Harrison Crosby—first "tinned" tomatoes in a commercial pack 'way back in 1847, to 1955's astounding output of more than 50,000,000 cases of canned tomato products, the tomato has become one of our most improved and versatile agricultural crops. It has also become, by all odds, our most canned one—in the form of whole tomatoes, soup, juice, sauce, paste and other piquant products relished daily at virtually every American table.

Once canning had opened up this swiftly multiplying mass market, plant breeders began refining and diversifying the tomato. They doubled yields. They introduced new strains and varieties ranging from the tiny currant tomato to the giant 2- to 3-lb. beefsteak tomato.

Names such as the Rutgers, the Marglobe, the Greater Baltimore, the Pearson, the Moran and others came to mean larger, sweeter, meatier tomatoes, demanded by the discriminating—and, naturally, by the canners. Other specialists improved canning methods at the same time, so that the precious vitamins A and C in which the tomato is so rich are preserved in high degree in the sealed can. The tomato became a kingpin of both our agricultural and our industrial economy.

National's role

Much of what canning has done for the tomato, it has also done for almost every food you can name. In cans, practically any food you want is instantly at hand—compact, spoilproof—with its peak flavor and health properties intact.

Enduringly strong, the "tin" can is really steel thinly coated with tin to resist corrosion. It takes tin plate in enormous quantities to make the nearly 40 *billion* cans the canning industry uses each year. And our Weirton Steel Company is a major supplier of both electrolytic and hot-dipped tin plate.

Of course, tin plate is just one of the many steels made by National Steel. Our research and production men work closely with customers in many fields to provide steels for the better products of all American industry.

At National Steel, it is our constant goal to produce still better and better steel of the quality and in the quantity wanted, at the lowest possible cost to our customers.

SEVEN GREAT DIVISIONS WELDED INTO ONE COMPLETE STEEL-MAKING STRUCTURE

Great Lakes Steel Corporation • Weirton Steel Company • Stran-Steel Corporation • Hanna Iron Ore Company • National Steel Products Company • The Hanna Furnace Corporation • National Mines Corporation

NATIONAL STEEL CORPORATION

GRANT BUILDING PITTSBURGH, PA.

Changed Position for Rail Equipment?

(*Continued from page* 614)

erations for the year as a whole will depend in large measure on steel supplies. But for the steel strike, the company would have been assured of outstanding progress for each of its three operating subsidiaries.

The Investment Viewpoint

Owing to the product mix of this radically changed industry, it is impossible to generalize about the outlook for railway equipments. Production of railroad gear constitutes less than half of the volume of such leading companies as Pullman, ACF, American Brake Shoe, General American Transportation, New York Air Brake and Westinghouse Air Brake. But that business continues to be a highly important element. The peak of fast amortization for freight cars has been passed, although orders should continue to be substantial as long as the general economy remains at high levels.

Those companies should fare best that have latched onto growth industries — electronics, atomic energy and construction equipment. Railroads scarcely qualify as members of the growth category and makers of equipment know only-too well that orders for the carriers can't be counted upon for the long pull.

Issues Are Speculative

By and large, the issues in this industry are of speculative nature, offering good yields and promise of moderate growth. Yields range from 2.7% to 6.4% in this group.

We began this article by quoting from the next-to-concluding paragraph of the 1955 story. It is fitting that it be concluded with the windup paragraph of last year:

"In any event, the industry has come a long way in the past few years. No longer can it be said that the only reason to buy such issues is that 'they offer dollars at a discount.' The industry has put its considerable capital to work—and profitably." —END

National Lead — A Study in Growth

(*Continued from page* 605)

Processing Corp., contract-operator of the U. S. Government-owned nickel plant and adjacent nickel deposits at Nicaro, Cuba. Under a $43 million expansion program authorized by the General Services Administration, output of this plant is scheduled to be increased by 75%, benefits of which should be experienced during the current year. Operations at Nicaro are in addition to the contract the company has with our Government to equip and operate a metallic nickel refinery in the Philadelphia area, producing nickel from nickel oxide sinter from the Nicaro mill.

A Producer and Refiner

In addition to these activities, National early last year began start-up operations at its new Fredericktown, Mo., refinery designed to recover nickel, cobalt and copper from nearby company-owned deposits of these ores.

Another important segment of National's activities is its participation in the atomic energy industrial program. Under contract with the AEC, it operates the Winchester, Mass., laboratory where it has developed a new process for the recovery of uranium from its ores. At Grand Junction, Colo., it is operating for the AEC a pilot plant employing a new technique for the economic recovery of uranium as well as other metals from low-grade ores. Since early 1951, National as contract-operator, through a wholly-owned subsidiary has been operating the AEC's huge feed-materials production center in Fernald, Ohio. This plant, which is undergoing a $20 million expansion now nearing completion, produces highly purified uranium and thorium metals, as well as their compounds. Fernald forms the final link in the chain of uranium and thorium supply from mining to the fabrication of the metallic shapes and forms necessary in the AEC program, as well as the private-enterprise power program. In addition to its participation in atomic energy activities, National has formed an advisory group to promote and develop the sale of company products in this new and fast-growing atomic field.

Emphasis on Research

Practically from the very beginning of the business back in 1891, National has recognized the need for an alert and aggressive research and development organization. Its work in these fields has been unremitting, with research and development facilities increasing in number and scope in the post-war years, the fruits of which have been expanded activities and development of new products that are becoming increasingly important in sales and earnings.

In the metallurgical alloy field, its Titanium Alloy Manufacturing Division now is marketing a high-purity titanium carbide for jet engines and tool-bits. Another recently developed product is a magnesium-zirconium master alloy for high-strength and high-temperature magnesium castings. In the chemical field, this division has developed ingredients for cosmetic preparations. Improved techniques in zirconium metal production have increased the high-temperature strength of this metal and resulted in new alloys of zirconium with significant industrial applications.

Another important National development involves special metal-organic compounds for jet engines and guided-missile fuels. Limited quantities of these products now are being produced in a company pilot plant. Through research, new refractories have been developed for use by the metallurgical industry in high-frequency induction furnaces for melting high-nickel and stainless steels. These refractories are manufactured by The Chas. Taylor's Sons Co., a wholly-owned subsidiary, which also is turning out new special high-density refractories, which it has developed and which have won wide acceptance by the glass fibers industry.

Rubarite, Inc., owned jointly with Bird & Son, Inc., and Goodyear Tire & Rubber Co., continues to make strides in the development and marketing of rubberized barites products for highway use. This is called "Rubarite," which is incorporated with tar or asphalt mixtures for road-paving. Another new product is "Jetlock" which is highly resistant to the

(*Please turn to page* 618)

acf Industries, Incorporated, recorded gains in every major product category during the fiscal year ended April 30, 1956.

It was a year of progress in sales, earnings, and preparation for growth under a diversification program that has been carefully planned to make full use of the acf organization, facilities, and skills.

Order backlogs and the present rate of new orders give substance to our confident appraisal of the future—and indicate that we shall enjoy substantial returns from this planning in the current and future years.

SUMMARY OF THE 57th ANNUAL REPORT
for the fiscal year ended April 30, 1956

	1956	1955
Net Sales	$245,585,000	$190,774,000
Net Income (after Federal Income Taxes)	8,008,000	6,855,000
Dividends Declared—Common Stock	4,882,000	4,019,000
Dividends Declared—Preferred Stock	510,000	2,654,000
Year's Earnings Retained in the Business	2,616,000	182,000
Federal, State and Local Taxes	10,958,000	9,124,000
Working Capital	53,650,000	52,827,000
Number of Preferred Shares Outstanding	137,467	470,393
Number of Common Shares Outstanding	1,260,167	857,319
Dividends Paid Per Common Share	4.00	4.00
Earnings Per Common Share*	6.08	5.17

*Based on the number of shares outstanding at April 30, 1956.

acf INDUSTRIES
INCORPORATED
30 CHURCH STREET • NEW YORK 8, N. Y.

AMERICAN CAR AND FOUNDRY DIVISION • AVION DIVISION • CARTER CARBURETOR DIVISION • ERCO DIVISION
NUCLEAR ENERGY PRODUCTS DIVISION • SHIPPERS' CAR LINE DIVISION • W-K-M MANUFACTURING COMPANY, INC.

Natural Lead — A Study in Growth

(*Continued from page* 605)

solvent action of jet fuels on paved tar surfaces, making it especially desirable on jet airfields.

Teamed With Republic Steel

In a pilot plant at Birmingham, Ala., National Lead, in cooperation with Republic Steel Corp., is carrying on the beneficiation program for the treatment of low-grade iron ore, estimated at billions of tons in the South and elsewhere in the United States. These reserves are made up of low-grade non-magnetic iron ores and other materials which, while too lean to be considered as ores today, under a successful method of upgrading, would make available to the entire iron and steel industry, an additional economic ore supply sufficient to last for more than 240 years at current rate of iron ore consumption. This project has progressed to the point where preliminary engineering studies are being made for a commercial upgrading plant to produce concentrates containing from 75 to 85% iron.

To have a knowledge of National Lead's broad scope of operations and the dynamic policies of the company in developing and marketing its many products serving so many fields, is to understand the factors that have contributed to growth over the years and visualize the potentials for the future. In this connection, there is evidence that 1956 is likely to be the fourth year in succession in which new record highs in sales and earnings will be established.

For the first half of the current year sales reached $289.2 million, this being 12.5%, or $32 million higher than the $256.7 million sales volume for the six months to June 30, 1955. In the current year's first half, net earnings again showed an even faster rate of gain, increasing 23.4%, or from $23.5 million recorded for the like period of 1955, to $29 million, equal to $2.45 a share of common stock, compared with $1.97 a share a year ago.

As another measure of growth, since the close of 1946 to the end of 1955, net working capital has grown from $55.8 million to $113.1 million. Over the same span, gross property account increased from $106.7 million to $228.2 million with net property account, at the end of 1955, after depletion, depreciation and amortization reserves of $105.4 million, amounting to $122.8 million, compared with $50.7 million at December 31, 1946.

As of the end of 1955, National Lead's consolidated balance sheet—that for the company and its wholly-owned domestic subsidiaries—disclosed strong finances. Current assets included cash of almost $46 million; U. S. Government, state and municipal obligations of $22.1 million, and net accounts and notes receivable of $50.6. These items, together with $77.5 million in inventories along with some miscellaneous items, brought total current assets to $196.7 million, in contrast to total current liabilities of $83.5 million.

Paralleling National's growing physical and financial position has been its increasing dividend rate for the common stock. Since the 1951 3-for-1 split, payments on the common shares have risen from $1.45 paid in 1952 to $2.85 in 1955, and again increased to $3 a share in 1956. At current price around 120, a new high to date, the yield on the issue amounts to 2.5%. On a yield basis, and by comparison with a 1955 low price of 54¼, the issue appears to be selling at a relatively high price, provided no consideration is given to the growth potentials of the company over the long-term and the possibility of another stock split some time in the future.

Present holdings should be retained, although new commitments might await a market reaction. Additional purchases might be made under the "dollar-averaging" plan. —END

What Recovery Chances For Farm Equipment?

(*Continued from Page* 601)

Agriculture Benson deems practicable. However, any applications for payments under this provision are likely to be from farmers whose harvests have been drastically reduced by drought, blight, or insects.

At best, the most reasonable expectation of 1956 results for the farm - equipment manufacturers would be sales and earnings at or just under those reported for the preceding year. This is, of course, a general statement and must be supplemented by a study of the individual companies whose experience, as in previous years, will vary because of a broader line of products, or by virtue of diversification in other fields.

From the long-range viewpoint, the outlook for the agricultural machinery and equipment makers is a little brighter. Research and engineering development has and should continue to create more efficient units. These newer machines will continue to be of increasing importance in profitable farm operation, making it possible to reduce the cost of per unit of output. To achieve this ranks with equal importance as a rise in farm-product prices. This urge to cut cost is a factor accounting for the dwindling number of small farms that have either been retired from cultivation or merged with other acreage to make a highly mechanized, larger and more efficient farm.

Trend to Larger Farms

This trend in the number of larger farms seems certain to continue, especially in view of the passing of the subsistence farmer and the exodus of his offspring into more lucrative skilled or unskilled factory jobs. Moreover, with a steady increase in the national population and a greater number of large farms, potentially capable of higher output than a large number of small farms, there should be a constant demand for more powerful and more efficient farm machinery.

Reasoning from this standpoint, leading farm machinery makers are stepping-up research and development work. For example, at Waterloo, Ia., *Deere & Co. is* about to put into operation a new research and development center costing about $1.6 million. This project includes buildings for research and development work, a test track and other facilities for testing tractors and other John Deere equipment. The company already has somewhat similar testing areas in four other states.

Another development in keeping with Deere's forward look was the creation late last year of John

(*Please turn to page* 620)

What Recovery Chances For Farm Equipment?

(*Continued from page* 618)

Deere, C. A., a wholly-owned subsidiary which will be responsible for sales of John Deere products in all countries of the world except the U. S. and Canada. Through its manufacturing division it is expected that the new company which has been incorporated under the laws of Venezuela will eventually undertake manufacturing and assembling operations in various foreign countries, other than Canada.

Deere & Co.'s farm equipment sales of $137.6 million in the first half-year ended last April 30, were down 21% from $174.4 million for the like period of 1955. All of this decline was registered in the second three months, reflecting uncertainty on the part of farmers and a strike at four of the company's plants beginning last January and continuing to May 28. A bright spot in the first half-year was the continued gain in sales of chemical products which moved up to $2.4 million. This sum, small in ratio to Deere's farm-equipment business, was 78% higher than a year ago and points up the potential of this phase of the company's activities. With labor troubles at an end and indicated higher sales of farm equipment in the second six months, net income for the common stock should better the $1.08 a share in the second half, providing sufficient coverage for the indicated $1.75 in common dividends. Although there is nothing in sight to warrant expectation of a major market upturn in the issue, present holders might retain their shares for income return.

Caterpillar Tractor Co., because of its broad line of tractors and farm implements, is sometimes ranked as a farm-equipment manufacturer. Caterpillar, however, is also a builder of heavy equipment for road-building, construction, logging, mining and other industries. Other products include diesel engines for industrial and marine purposes, hydraulic and cable controls, and machines for laying down almost any size pipe. Both sales and earnings in 1955 were at new all-time highs, sales reaching $523.8 million with net per share of common stock being equal to $4.04. On the basis of 1956 first-half results, new records will be set this year. For the six months to June 30, sales were up 34% to $337.5 million from $251.2 million in the first half of 1955. Net earnings of $26.2 million came within approximately $8.5 million of matching those for all of 1955, and were equal to $2.69 a common share, compared with $1.79 shown for the 1955 first six months. From a low this year of 55½, the common stock has moved up to a recent high of 94, and currently prevails around 90 to yield 2.1% on $1.80 annual dividend rate. Commitments made on a long-term investment basis should not be disturbed.

International Harvester Co., in common with other producers of farm equipment experienced a decline in second-quarter sales in farming areas. This drop, however, was more than offset by substantial gains of motor-truck and construction-equipment products. As a result total sales for the first half-year ended last April 30, increased to $609.3 million from $549.1 million for the corresponding months a year ago. Harvester's growing importance in the truck field is indicated by 1956 first-half sales of $273.7 million, a gain of $60.5 million over truck sales of $213.1 million in the six months to April 30, 1955. Construction-equipment products sales, aided by introduction this year of four models of a new crawler-tractor line, also scored a sizable gain. From sales of $63.1 million a year ago, 1956 first-half volume increased by $30.7 million to $93.9 million an increase of 48%.

Net Income Affected

Although net income in the second quarter was adversely affected by higher costs due to production cutbacks in farm-equipment manufacture, Harvester finished the first half of the current fiscal year with net income of $24.4 million, or $1.56 a share, compared with $23.4 million, or $1.51 a share for the 1955 first half. Outlook for farm-equipment sales through the remainder of the current fiscal year does not justify exhuberant optimism, but continued sales gains in truck and construction-equipment products in world markets are looked for to bring this year's net income close to the $3.60 a share for fiscal 1955. The stock currently selling at 38, has moved up from the year's low of 33⅛. We would continue to hold this issue for present 50-cent quarterly dividend and long-term price appreciation.

J. I. Case In "Red"

J. I. Case Co., for the first six months to April 30 (after a Federal income tax credit of $700,000) sustained a net loss of $4.7 million. Although sales for the third quarter ended July 31 are believed to have shown some improvement, it is not likely that net earnings could possibly come anywhere near wiping out the first half-year deficit of $2.25 a share for the common stock. In its effort to reduce production costs, Case is closing down its less efficient Racine plant, transferring certain operation to the newer, more modern plant at that point. Other products formerly produced there are being transferred to the Rockford, Ill., and Bettendorf, Ia., plants. It also plans to discontinue activities at its Burlington, Ia., plant.

Other farm-equipment manufacturers feeling the pinch of reduced farm buying as well as higher operating costs have been *Minneapolis-Moline* and *Oliver Corp.* Although sales of the latter's regular products for the first half-year of fiscal 1956, were off $8 million from a year ago, defense products sales dropped from $20.7 million to $7.2 million, the result being that combined sales were down by almost $21 million from the like months of last year. The indicated deficit for the latest period, after provision for income tax credit and renegotiation, amounted to $221,000, compared with 1955 first-half net earnings of $2.8 million.

Minneapolis-Moline, by changing its accounting practice last November so as to treat heavy-line products shipped to dealers as immediate sales, instead of waiting until such shipments were paid for in cash or resold by the dealer, increased sales by $4.4 million for the six months to last April 30. Had it followed its former practice, farm machinery sales for the period would have been shown at $24.7 million, compared with $28.2 million in the first six months of 1955. However, after the change, net loss for the 1956 first half-year, after provision for income tax refund adjustment, amounted to $727,316. Obviously, dividend resumption appears remote. — END

General Mills' 28th year brings new record growth

The fiscal year 1955-56 was marked by new all-time achievements for General Mills Inc. Both sales and earnings broke all previous records.

Highlights from the annual report appear below. If you are interested in the full story of new record growth, we shall gladly send you the complete, illustrated report. Just write to the Department of Public Relations.

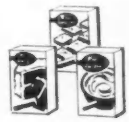
	1956	1955
Total Sales	$516,052,804	$513,651,149
Earnings	14,056,658	12,383,500
Dividends Paid	7,902,954	6,736,419
Common Dividend Paid per share	3.00	2.50
Net Earnings—per dollar of sales	2.7c	2.4c
—per share of common stock	5.68	5.02
Taxes per share of common stock	9.00	8.16
Land, buildings and equipment	70,336,360	65,289,183
Working capital	73,998,059	67,930,732
Stockholders' equity	131,456,892	123,156,558

General Mills, Inc.

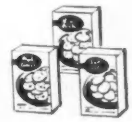
Minneapolis 1, Minnesota

GENERAL MILLS believes that today's research is the key to tomorrow's success. As evidence of this conviction, the following different *new products* were introduced by eight different divisions of The Company during the past year:

GROCERY PRODUCTS
Betty Crocker Date Bar Mix • Betty Crocker Confetti Angel Food Cake Mix • Betty Crocker Chocolate Malt Cake Mix • Betty Crocker Peanut Delight Cake Mix • Betty Crocker Angel Fluff Frosting Mix.



GENERAL MILLS (CANADA) Ltd. PRODUCTS
Betty Crocker Vanilla Cookie Mix • Betty Crocker Oat 'n' Honey Cookie Mix • Betty Crocker Peanut Butter Cookie Mix

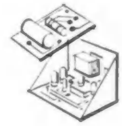


INSTITUTIONAL PRODUCTS
Chocolate Chip Cookie Mix • Basic (Sugar) Cookie Mix • Oat-N-Honey Cookie Mix • Corn Bread Mix

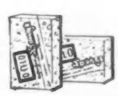
SOYBEAN PRODUCTS
General Mills 50% Protein Dehulled Soybean Oil Meal • General Mills Soybean Millfeed

FEED PRODUCTS
Larro SureMilk 50 • Larro SureBeef 50 • Larro SureMilk Keto-Kurb • Larro SurePoult Pre-Starter • Larro SureStart

MECHANICAL PRODUCTS
Autofab Short Run Assembly Machine • Autofab Soldering Machine • General Mills Radar Tester



SPONGE PRODUCTS
O-Cel-O Plastifoam Bather • O-Cel-O Plastifoam Car Washer • O-Cel-O Plastifoam Soap Dish



CHEMICAL PRODUCTS
Versamid 125 • Series of Fatty Acid Derivatives

Computing Revised Prospects For Office Equipment

(*Continued from page* 599)

input, the tape being fed directly into the data-processing equipment. National, which already has approximately 30 of its computer systems installed for use on scientific applications, is putting emphasis on developing and building a complete electronic system which will justify its use in commercial establishments on a practical basis. At the same time, it looks forward to continued growth for its electro-mechanical equipment line.

National's outlook for growth appears to be particularly promising, matching the pace it set in the last four years. In that time sales increased from $226.6 million to $301.2 million for 1955, while net income showed better than a 33% expansion, or from $10.1 million to $15.4 million. After adjustment for the 1953 10% stock dividend and the 3-for-1 split-up in 1955, earnings since 1952 have increased from $1.56 to $2.33 a share for 1955. We would continue to hold this stock and new commitments could be made on any price reaction from present price of 56.

Addressograph-Multigraph Corp., long strongly entrenched as a producer of addressing, billing, mailing and duplicating machines having world-wide sales, has further strengthened its position by the introduction of improved and new products, a number of which incorporate automation principles.

It is evident that research in recent years is beginning to pay off. Last year set a new high in sales at $73.3 million, exceeding the previous year's volume by about $8 million, with net earnings rising from $5.92 to $7.86 a share. Net sales for the nine months of the current year ran $8.5 million ahead of those for the like period of fiscal 1955. Net earnings for the latest nine months equaled $6.07, compared with $5.63 a year ago, indicating that new records will again be set in 1956. While AM has strong finances, capital expenditures of approximately $4.5 million in fiscal 1956 for additions to plant and office space will probably hold cash dividends to current $1 quarterly rate. Another small stock dividend may be distributed. At present price around 153 the stock appears fully priced, but commitments made on long-term basis can be left undisturbed.

Royal McBee Corp., whose Royal Typewriter division has long ranked as the world's largest manufacturer of typewriters, standard and portable, strengthened its position in this field through the introduction in late 1954 of the Royal electric typewriter. Since then sales of the latter machines have more than doubled and are continuing to gain steadily. At the same time, the Roytype Division manufactures and sells through a separate sales force typewriter and business-machine supplies such as carbon paper, ribbons stencils, and related products—an operation that has been consistently profitable and showing steady growth over the last decade.

Since the merger with the McBee Corp., further diversification has been achieved through what is now the McBee division which manufactures loose-leaf binders, business forms of various types and important specialties, including such devices as unit analysis, payroll poster, and the Keysort punched-card system. Together with General Precision Equipment Corp., Royal McBee jointly owns the Royal Precision Corp., created in January of this year, to develop, manufacture and market electronic data processing equipment, or electronic computers, primarily for use in the medium and smaller applications. It is not anticipated that benefits from this activity will develop before 1957 and possibly 1958, but because of the growing market for this type of equipment, the potentials of the jointly-owned subsidiary add to long-range growth possibilities.

Meanwhile, sales and earnings of Royal McBee show substantial gains. For the nine months to April 30, income from sales of products and services, etc., reached $70.5 million, an increase of $9.6 million over the first nine months of last year, with earnings for the common stock more than doubling, being equal to $2.66 a share, compared with $1.31 a year ago. Indicated fiscal 1956 net profit is well over $3 a share against currently 35-cent quarterly dividend requirements. We would retain holdings of the common stock that were purchased as long-range commitments.

Brief comments on other companies in the office-equipment and related fields are set forth in connection with the statistical data on leading companies in these categories. —END

Mixed Prospects For Electronics—TV—Electrical Products

(*Continued from page* 593)

closely identified with electronics. Vast research laboratories represent other modern industrial outlets for electronic equipment of all kinds. In chemicals, drugs and metals, especially, research has taken great strides in recent years and contributed to development of electronic equipment.

Prospects for manufacturers of heavy apparatus, including generators, turbines, transformers and the like, have improved in the last several months. Better results

may be attributed to more realistic pricing on the part of manufacturers as well as to a step-up in production that permitted achievement of economies. Nevertheless, results this year seem likely to reflect unfavorable effects of keen competition two years ago when prices were trimmed in an effort to stimulate orders from power and light companies. The five-month strike in plants of Westinghouse Electric Corp. had an adverse effect on this company's operations, but competitors benefited. In some respects, the shutdown of this second largest factor helped bolster quotations on heavy apparatus, suggesting improved margins on 1957 and 1958 deliveries.

Labor disputes injected temporary shortages in some household appliances at times but, for the most part, supplies of ordinary products were more than ample. Thus, keen competition prevailed in items such as ranges, refrigerators, washing machines and dryers, vacuum cleaners, electric grills and lamps — not to mention TV sets. With a reduction in prices to dealers and distributors, little profits have been obtained in this category.

Rising consumer income, accompanied by growing emphasis on items for the home instead of motor cars, should encourage relatively strong retail demand. Relaxation in credit restrictions permitting longer payout time probably would help stimulate interest in large-ticket items. The profit margin is the rub.

Mounting popularity of air-conditioning has contributed to volume in electronics. The fact that installation of cooling equipment in homes has necessitated additional wiring has been important from the viewpoint of manufacturers of essential material, including meters. In modern factories air-conditioning — at least, in part—has become almost essential, especially in the South and in the Southwest, where industrial areas have expanded tremendously. Installations in office buildings, retail stores, places of amusement and restaurants continue to increase week by week. The surface has only been scratched in the use of room-conditioners in the home. All indications point to steady gains in this important category, where profit margins have been scant.

A significant change is taking place in TV and radio. Competition is weeding out some of the marginal companies that entered the business in the boom of the early 1950's. The larger and stronger concerns should experience more satisfactory results in another year or two after effects of the adjustment wear off. Price advances to compensate for rising costs of materials and labor can be more readily put into effect with fewer companies in the field. Moreover, introduction of color in TV seems likely to gain momentum in another year. An increase in production will make possible manufacturing economies that could permit price reductions and broaden the market. Perfection of new manufacturing processes using transistors and printed circuits, for example, also could prove important.

For the near term, conditions are unsettled. Demand for black-and-white sets has tapered off to some extent, a natural consequence of excessive output in 1955 and aggressive price-cutting. Suspension of production in some plants resulted in "close-out" sales of outdated models with the result that prospects for the 1956 holiday season remain uncertain at the moment. Production in 1955 rose to a record of about $7\frac{3}{4}$ million sets. The large carryover from the holiday selling season induced curtailment in output through the first six months of 1956. Considerable emphasis on new sets has been in the low-priced portable units that have proved popular as a "second set" for the kitchen or bedroom. Thus, in dollar volume, first-half sales this year may have dropped 15% or more.

A projected increase in color telecasts at the start of the new season in September is expected to stimulate interest of consumers. Trade authorities think that even with sets commanding $500 or more, sales this year may reach

300,000 units; if not, it is thought that 250,000 should be readily attained. Such a showing would represent distinct progress over the 1955 total of about 50,000 sets. Radio Corp. of America is taking the lead in color TV and has estimated that it will produce and sell upwards of 200,000 sets in the 1956 season. General Electric, Motorola, Sylvania, Magnavox and Philco are expected to put out color models this year, but Zenith has indicated its intention of restricting output to monochrome sets.

Other important changes are taking place in TV broadcasting. Except in scattered areas, ultra-high frequency telecasting operations have met with little success. Expansion in this direction has failed to meet earlier projections. The Federal Communications Commission has been considering action which may involve a replacement in time of present ordinary high frequency channels with the broader UHF band. Such an adjustment would pose extraordinary problems.

A slowdown in opening of new stations has found reflection in reduced operations of manufacturing of telecasting equipment. Indications point to expansion of color studios, however, which would mean sizable installations of new equipment. Progress is being made in closed-circuit telecasting for commercial use, and the outlook is regarded as promising for increased volume in equipment for industrial use.

Role of Research

Research has developed new processes for use of magnetic tape in reproducing shows for distribution on independent stations. This trend promises to reduce costs and broaden the market for TV recordings. In another direction, an extensive library of pre-1948 movies has been made available for use on TV. Indications are that small stations will devote an increasing amount of time to showing old movies in the coming season. Meantime, with some 38 million sets in operation, the need for replacement tubes will be steadily climbing.

Radio has held its position in face of increasing TV competition. Demand has shifted from orthodox sets to new pocket-size transistor models, however, with the result that a new resurgence could take place in these non-electric units. Miniature portables powered with small battery cells have caught the public's fancy despite a comparatively high retail price. Automobile radios have continued to gain, too, although volume in this product has declined sharply this year in line with a drop of about 25% in motor-car output. Clock radios have become increasingly popular and have registered an encouraging increase in volume this year, running counter to the trend for all radios, which have shown a dip of about 10%. Competition has been virtually as keen in this segment as in TV, indicating that profit margins have remained disappointingly narrow. Prospects for most radio-TV concerns may be described as only satisfactory — and for some the outlook is on the bleak side.

For the longer term, however, chances of greater stability in marketing are considered more promising. Withdrawal of small, marginal companies should help. The industry shows indications of vigorous expansion. —END

What 2nd Quarter Earnings Reveal

(*Continued from page* 583)

increases—strike or no strike. It was equally obvious that steel producers would hike prices to offset this rise in their costs. As a matter of fact, there was considerable sentiment within the steel industry for price rises in advance of negotiations with the labor representatives of the steelworkers.

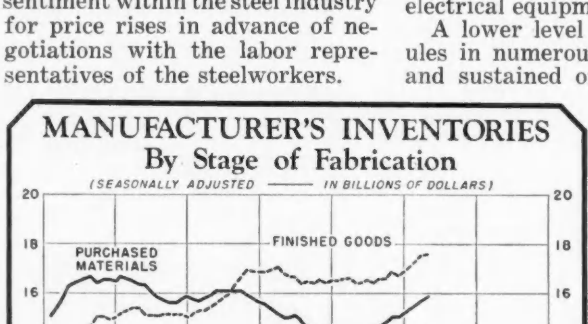
This led to heavy steel ordering in the quarter, during which the industry operated full tilt. Many a corporate purchasing agent who deferred stockpiling of steel wished he hadn't as the steel strike took its toll of industry after industry. For the most part, though, it was a case of not being able to get the desired steel—a situation that was felt keenly in such lines as railway equipment, construction, the petroleum industry and electrical equipment.

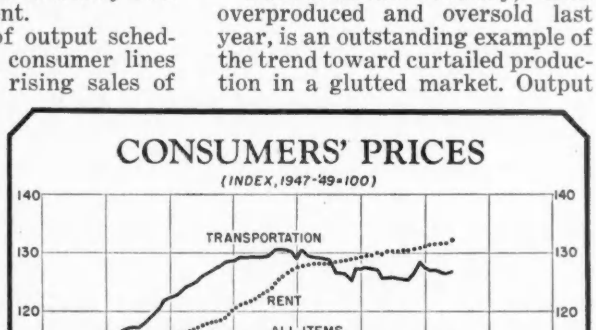
A lower level of output schedules in numerous consumer lines and sustained or rising sales of such goods give credence to the view that readjustment of extended inventory positions is proceeding in orderly fashion.

Automotive, household-appliance, farm-equipment, textile and other lines revised production schedules downward, thus reducing stocks of finished goods.

The Automotive Cutback

The automobile industry, which overproduced and oversold last year, is an outstanding example of the trend toward curtailed production in a glutted market. Output





of cars last month was trimmed to 450,000 units, the lowest level since October of 1954. This helped to get unwieldy inventories of new cars below the 800,000 level — they weren't far from a record million mark early this spring. By a slash of nearly 30% in output from year-earlier levels, prospects were good for an orderly inventory situation by the time new-model cars are introduced this fall. Meanwhile, sales of new cars took a turn for the better as the second quarter wore on. Volume was about 575,000 units in May and above 600,000 in June.

An upward swing in automotive sales is handicapped by the record debt piled up by car-buyers. This condition exists in all kinds of instalment credit. Consumers owed a total of $36.6 billion at the end of May for goods and services purchased "on the cuff." This was higher by $612 million from a month earlier, but was less than the $913 million increase that occurred in May of 1955, when car-buying was around its all-time peak. The $36.6 billion total was $5 billion above the figure prevailing at the close of May, 1955.

One of the more constructive elements in the business situation during the quarter was provided by the continuing uptrend in total personal income. Hitting $317 billion in April (at a seasonally adjusted rate), income was more than $18 billion, or 6% higher, than a year earlier.

Ordinarily, this would herald a continuing boom in home-buying, but it has not worked out that way. Housing units begun in June totaled 104,000 which, on an annual basis, was the lowest since January of 1954. Outlays for housing put in place dropped in June to $1.4 billion. That was 12% less than the year-ago figure. Major factors here were inflation and tight mortgage money.

People are interested in homes that sell in the $12,000 bracket, but land and material prices plus rising labor costs have pushed up prices. The mortgage market has ruled off prospective buyers who are unable to make down-payments and meet other requirements.

The building industry is a prime example of the divergent trends in the economy. While residential building is in the doldrums, spending for new construction put in place rose seasonally in June to $4 billion, a record for the month. That figure was 8% better than the results attained in May. Decreases in home-building and in public industrial construction have been offset by rises in private industrial and commercial building, highway work and public utility construction.

This divergence is reflected across the board, with numerous companies maintaining or bettering (slightly) their year-ago profit margin, while innumerable others saw their profit margin pared and, in not a few instances, disappear. The corporate penchant for "eating" costs to remain competitive became less pronounced during the quarter and there was considerable planning for a rise in prices to recapture part of rising costs. The consumer, so to speak, never had it so good, even though the cost-of-living index pushed to a new high as the second quarter drew to a close. The major influence in the climb was an average increase of 2% in food prices. The over-all index for June jumped only 0.7% from the May level.

With the labor and materials costs bounding upward, indications are that living costs will go higher in the months ahead. —END

The Battle For Oil Markets

(*Continued from page* 581)

decree, the net profit of Standard of New Jersey, including the subsidiaries that were spun off, amounted to $95,426,000. Standard of California, *in the first quarter of this year alone*, netted $61,494,000. Several members of the old "Standard" family last year recorded earnings many times as great as the figure reached by the entire combine in 1911.

This generation of oil-company "brass" takes a philosophical view of the changes in the industry wrought by Federal court action 45 years ago. Many think, in at least one respect, times haven't changed much, noting pressure within present-day Washington for a breakup of General Motors. Not a few believe that GM is in for the kind of treatment the Standard Oil combine got back in 1911 and they believe, even more firmly, that the parts would prosper just as they have in the oil business.

There is yet another phase of the battle for petroleum markets —the duel of the grades alluded to at the outset of this article. As befits the giant of the industry, Standard of Jersey has decided to pioneer on this front.

Standard of Jersey moved this spring to find out whether there were enough motorists who wanted a higher-octane fuel to make such a change in the marketing system worthwhile. First tests indicate that there are thousands of car-owners willing to pay 3 cents a gallon more than they shelled out for the old premium grade to get this higher-octane product.

Selling only two grades of gasoline last year, stations used in the test got 60% of their volume from Esso Extra and the remaining 40% from the regular grade. There has been a small downward change in the proportion of the regular since the changeover to three grades. But the lofty-priced Golden Esso Extra has cut sharply into sales of Esso Extra. The company expects that its new Golden gasoline will account for as much as 15% of its total gasoline volume. Actually, on the test it did even better, but the test was carried out at company-owned and operated stations under the best possible conditions.

Now this new top-grade premium gasoline has moved on to the thousands of Jersey outlets in the East and South. Before this month is out, it is believed that more than 75% of all its dealers in the 18-state Eastern market will be offering motorists the three grades.

Humble, a member of the Jersey family, also has joined the parade. Standard Oil Co. (Kentucky), a member of the old "Standard" family which is strictly a marketing outfit, also has joined in, being partly supplied by Jersey.

Continental likewise has moved into this field, test-marketing a super-premium gasoline, presumably in the 100-octane range. As in the case of Jersey, its Conoco is quoted at 3 cents a gallon over the old premium market. A score of Houston, Tex., stations will undertake to determine how much demand there is for the new high octane fuel.

Shell Gets Into Game

Shell Oil Co. has gotten into the super-premium business in the last few days. That company has a new grade of motor fuel that is designed to satisfy the needs of the highest-compression engines.

This new product, dubbed Super Shell, sells for 1 cent per more gallon more than the company's old premium grade, which it will replace. The product is being sold along the Gulf Coast, but distribution will be extended to the Atlantic Seaboard presently. Super Shell is the company's answer, of course, to the three-grade experiment. The company is confident that it will achieve the same result with two grades. It has said that the new premium gasoline was designed for the most powerful cars expected for 1957.

Sun In Sunshine State Test

Seventeen Sunoco dealers in the area around Orlando, Fla., this year joined Sun Oil Co. in an experiment to find out whether motorists liked the idea of buying gasoline tailor-made at the pump to fit their individual preferences. The idea was to offer Blue Sunoco in any one of five different octane qualities, selling at five different prices and all coming from the same pump. The Sun experiment was undertaken with a minimum of fanfare – no advance notice to customers and no newspaper advertising. Sun, in offering customers at these test stations a top blend that would be over 100 octane number, was looking years ahead for a way to meet a situation it has described as the "growing spread in the octane requirements of all the cars on the road."

The expression "spread in octane requirements" refers to the fact that engines in this year's cars generally need a higher-octane gasoline than models a few years back.

Specifically, average horsepower of cars made in 1947 was about 110; in 1949, about 115; in 1955, about 180, and this year it is about 205. Meanwhile, average octane number of regular-grade gasoline has increased – from 80 in 1947, to 88 in 1955 and, for premium gasoline, from 86 in 1947 to 95 in 1955. All signs point to additional rises in automotive horsepower and attendant jumps in octane ratings.

Compression ratios in cars also are expected to rise from the present average of 8.4 to 1. Compression ratio refers to the tightness with which the fuel-air mixture is pressed into your car's combustion chamber, where it is ignited by the spark plug. Not to get too technical, it is enough to say that high-compression engines need high-octane motor fuel. Otherwise they will develop a "knock" or "ping."

Developments Watched

This move by such companies as Jersey, Continental and Sun has the other kingpins of the industry on the anxious seat. Until the dust settles, most of the other companies prefer to go along with their regular grade (93 to 97 octane) and premium (95 to 98).

They are, in many instances, confident they will do all right with two grades, even noting that Sun grew great on one grade. As for offering three grades (Sun, of course, is toying with five), many recall they were offering three grades back in the depression days of the 1930's. Only the third grade in those days was intended to latch onto a market for the driver seeking the cheapest gasoline obtainable. Many philosophize it is a sign of these inflationary times that the third grade should be in a more expensive product.

Not that they are scoffing at this bold new move by top-flight companies, for these are men quick to recognize change. Many of them were around in the 1920's and personally selling Ethyl from a container at the service station. The industry has come a long way in the intervening 30-odd-years – more than just having the Ethyl lead mixed in at the refinery.

While Jersey is enthusiastic about the results obtained for its Golden gasoline to date, even that company doesn't know how big the market will be. No doubt, a good deal of the initial buying of the super premiums stems from public curiosity to learn how much difference it will make in car performance. For the average motor-

ist, it could well prove too rich for his blood, if not for his car.

Socony, which pulls no punches, says flatly in advertising its new Mobilgas R: "designed for all but the highest-compression cars." Meanwhile, Socony and other leaders of this industry are doing more than just watching the results of the higher-pressure, higher-price tests being made by the ever-higher-octane fellows. The lights burn late in the research laboratories.

Just to prevent the "ping" in your car costs one oil company an additional $5 million per year in operating costs. That's the calculation of Standard of Indiana, which measures the rise from 1954. Its investment in new facilities for octane improvement over an 18-month span was nearly $28 million.

This then is the industry that is engaged in a fiercely competitive battle for markets—an industry that last year established a new record in the volume of products supplied to consumers, that earned record sums for and paid record dividends to stockholders, and had gross investments in fixed assets employed by the industry (in the United States alone) of over $40 billion. Keen competition, heightened by mounting oil imports (there is a strong lobby that would have Washington place sharp limits on this source), augurs for the consumer higher quality of product and prices ranging from bargain level to reasonable. —END

Answers to Inquiries

Kimberly-Clark Corp.

"I am a regular subscriber to your magazine and I am interested in receiving recent data on Kimberly-Clark Corp. Thank you for this service."

C. E., Nashville, Tenn.

Kimberly-Clark Corp. manufactures magazine and publication papers, Kleenex tissues, Kotex, sanitary napkins, Delsey toilet tissue, writing papers, commercial printing papers, beauty and barber products, household products, industrial wadding and many other specialty products. A breakdown of total sales reveals the following: 65% represent sanitary wadding products, 29% white paper products, and 6% industrial wadding and other products. Company manufactures about 60% of U. S. sanitary napkins (Kotex), about 40% of cleansing tissues, and 25% of coated printing papers. It accounts for about 10% of all U. S. book paper production. Company manufactures pulp in Canada, and owns 39% of Coosa River Newsprint Co.

Merger was effected on September 30th, 1955 with International Cellucotton Products Co.

Although the merger necessitated writing off profits approximating $1 million on Kimberly-Clark products, owned by International Cellucotton Products Co. on September 30, 1955, and substantial promotional expenditures were made to introduce new consumer products, net earnings for the fiscal year ended April 30, 1956 were $21,617,795, or $2.82 per share on the 7,673,576 shares outstanding at yearend. In the year ended April 30, 1955 earnings of the combined companies were $20,022,617. Consolidated sales for the latest fiscal year were $253,297,113, which was a good increase over the previous year.

Consolidated current assets at end of fiscal year were $108,093,863, of which cash and marketable securities amounted to $49,491,638. Current liabilities were $21,396,679, leaving net current assets of $86,697,184.

During the past fiscal year, capital expenditures totaled $25,514,277. On April 30, 1956, about $19 million remained to be spent on approved expansion projects. The need and extent of such new projects as may be approved during the current year have not as yet been established.

Consecutive dividends have been paid since 1935. Current quarterly rate is 45 cents per share.

Company has a good record of improving earnings and prospects continue favorable.

McKesson & Robbins

"As I am retired and dependent on income from securities, I am primarily interested in investments that yield good returns. I have a modest investment in McKesson & Robbins and this has paid well. Do you think I should retain it further?"

H. C., Raleigh, N. C.

The principal business of McKesson & Robbins is the national wholesale distribution of drugstore supplies, alcoholic beverages and industrial chemicals. Distribution is through 73 wholesale drug houses, accounting for about 65% of total sales; wholesale liquor business contributes about 30% of total sales and the remaining 5% comes from drug-manufacturing and exports. Earnings have increased and the stock provides a good yield and is suitable

for a retired businessman.

In the fiscal year ended March 31, 1956, sales rose to $530,324,516 and net income was $8,802,214, equivalent to $4.75 a share. The net income was after provision of $9,778,040 for Federal income taxes.

In the prior fiscal year, net income was $7,330,363, or $3.97 a share, on sales of $489,381,770. Tax provision was $7,650,458.

Net income before taxes was $18,580,254, compared to $14,980,-821 in the comparable fiscal period of 1955.

Current assets on March 31, 1956, amounted to $161,656,359, against current liabilities of $59,-620,806, so that net current assets were $102,043,553.

The company's wholesale drug sales to individually-owned drugstores, its principal business, were in excess of any like period in the company's history, and there were impressive gains in other areas, notably the hospital, chain and department-store fields.

The gross profit ratio continued to increase slightly. Introduction of new operating techniques, which provide efficiency and reduce the ratio of expenses, was a factor in the higher profit ratio.

Sales and profits of wines and liquors increased over the previous year, which also was true of the company's manufacturing operations through McKesson Laboratories.

There also was an increase in sales and net profit of the chemical department, which is the fastest-growing department of the company.

New liquor divisions were opened in Bakersfield and Redding, Calif., and new drug divisions in Eugene, Ore., and Long Beach, Calif. Current quarterly dividend is 65 cents per share. Prospects over coming months continue favorable. END

For Profit and Income

(*Continued from page* 607)

ter than the average.

Stock Groups

At this writing, the principal stock groups making a better-than-average showing are: Aluminum, coal-mining, construction, drugs, finance companies, dairy products, business machines, petroleum, bank stocks, natural gas and tires. Groups currently lagging, or checked by profit-taking, include airlines, automobiles, amusements, automobile accessories, chemicals, copper, electrical equipment, department stores, gold-mining, food stores, liquor, mail order, meat-packing, rails, sulphur, television, steel, textiles and variety stores.

Movies

We are unable to see a case for holding—much less buying—stocks of motion-picture producers. Whatever the reasons (including TV, and lack of enough "hit" pictures) theatre attendance is far under older peak levels, and seems headed for a lower total this year than last. Foreign earnings, which are very important to most producers, appear to be leveling off as TV gets a wider and wider audience in a number of countries; and they could show some later shrinkage.

Watch Out

Gasoline output is running well ahead of consumption, and gasoline inventories are rising. Nobody likes to take the lead in curtailing output, so correction usually comes after product price weakness has developed. The industry's long-pull outlook is favorable, that over the next six to 12 months more of a question. All leading stocks have had a huge rise, including most of those heretofore recommended here. To cite but one recent instance, Gulf Oil, now at 139, has risen 25 points in the short time since we noted above-average possibilities in it in our June 9 issue. A bit of caution on oil stocks seems in order.

"Peace of Mind"

On a long-pull view, you certainly will have more peace of mind in holding stocks like Eastman Kodak, Dow Chemical, General Motors, Jersey and similar leaders than in holding speculative secondary stocks. But any stock which is subject to much variation in earnings can go down importantly. Long-pull peace of mind with investment holdings is one thing. Stability of capital values in a cycle of market decline is something else again. Will you have peace of mind when your common stock holdings depreciate by anywhere from 20% to 50%, on average, in the next bear market? If not, what are the real peace-of-mind investments today? Answer: Cash in the bank, Federal Savings Bonds, short-term Treasury obligations, high-grade corporate bonds, sound preferred stocks and defensive-type income equities. Among the latter, we suggest Beneficial Finance, Corn Products, National Biscuit, Pacific Lighting, Reynolds Tobacco, Union Tank Car, Wrigley and Woolworth. There are others. Those cited are representative.

—END

Our Trade Investments and Relations with Latin America

(*Continued from page* 588)

foreign investment. Latin America receives currently about 60% of all new private U. S. investment, the total there being about $6.5 billion and increasing at a rate of $360 million yearly. All in all, 37% of all U. S. foreign investments are in Latin America. This means that private capital in Latin America, from any other source, is insignificant compared with the inflow from the U. S. Last year our income on this investment amounted to $767 million, or about one-third of all our private investment income from abroad.

Benefits to South America

It is unfortunate that the benefits accruing to Latin America from this huge U. S. private investment have become obscured by balance - of - payments statistics quoted out of context. According to the U. S. balance-of-payments the total net outflow of direct investment capital to Latin America over the past two years amounted to only $220 million and Latin America's total inflow of foreign investments is far below the area's remittance of profits on foreign investments. Recent United Nations reports have made much of this apparent drain of capital from Latin America to the U. S. Actually, our real contribution to Latin America's economy is only very incompletely reflected in our balance-of-payments figures since a considerable part of our new investments are made out of undistributed earnings by the Latin subsidiaries of U. S. concerns or out of depreciation and depletion reserves accumulated by U. S. firms in Latin America, none of

(*Please turn to page* 630)

which show up in our balance-of-payments.

Furthermore, by producing goods locally which would otherwise have to be imported, U. S. concerns save Latin America much valuable foreign exchange, in addition to creating new employment. Our Department of Commerce currently is conducting a survey on the complete activities of the 2,000 branches and subsidiaries of U. S. firms operating in Latin America. This will give us—and our Latin American friends—for the first time a true measure of the over-all contribution of U. S. foreign investments to the economy of Latin America. There is no doubt that it will be a very different picture from the one conjured up by the United Nations on the basis of ill-defined statistics.

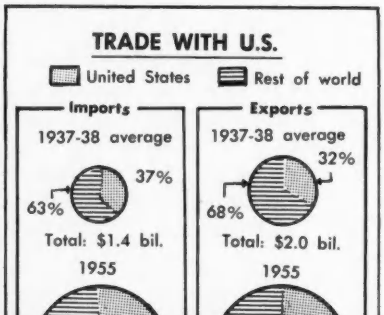
This does not mean that Latin America could not use more foreign investments to satisfy its urgent craving for industrialization and to get away from the boom-or-bust single commodity economies still prevalent throughout the area. According to a recent study, Latin America could easily absorb an annual foreign investment of at least $2 billion. This compares with current total foreign investments of about $700-800 million, from all sources.

There is little chance that this goal can be reached in the foreseeable future. Nevertheless, there are some signs that the rate of foreign investments is about to increase. Private capital is now flowing into Venezuela in very substantial amounts in view of the recent granting of new oil concessions in that country after a 10-year interval. Just the surface taxes for these new concessions will bring Venezuela about $200 million. U.S. mineral capital also is going into Chile, Peru, Colombia and Venezuela in larger amounts due to new mineral discoveries there and our rising dependence on mineral imports.

Private investment from Germany and Japan also are making their first modest appearance in an increasing number of Latin countries. Public loans and grants too are on the upswing. In 1954 the U.S. Export-Import Bank, which has authorized a total of $2.5 billion to Latin American borrowers since its inception in 1934, began a new program of liberalized credits towards the area. During the first 12 months of the new program $284 million was authorized by the Bank, compared to $52 million in the 12-month period prior to the new program. Latin America also has received a total of $620 million from the World Bank since 1947.

New U. S. Loans Sought

At the moment negotiations are underway between the U. S. and Brazil and Argentina for very substantial new loans. In fact, the presidents of both South American countries were reported to have taken up the matter of these loans personally with President Eisenhower in Panama.



In the case of Brazil, the difficulty is that that country already owes us something like $600 million in outstanding loans. While none of these loans are in default (Latin America's repayment record on foreign loans is altogether highly satisfactory) the bulk of them are due between 1958 and 1961. U. S. and Brazilian officials agree that these repayments are beyond the country's financial ability. They would necessitate an even sharper curtailment of the industrialization program and of dollar imports than last year's. This, in turn, would seriously hurt not only Brazil but also U. S. exporters. Last year, Brazil's $215 million reduction of imports from us was the main reason why Latin America dropped from second to third place among regional markets for our commercial exports. The amount of the proposed loan has not yet been set but, according to most reports, it will be at least $200 million. Political considerations played a part in our reluctance to grant the loan up to now. Brazil's new President Kubitscheck and his vice-president Goulart were elected with Communist support although they never officially sought it. However, our diplomats were not fully convinced until recently that the new executive team had not made any backroom deals with the Communists without whose support they may not have won the election. By now it seems clear that this is not the case and the way is thus open for large-scale economic assistance.

Argentine Post-Peron Needs

Argentina also is in need of financial help on a big scale. Here the reason is mainly the tremendous waste, inefficiency and corruption of ex-Dictator Peron which brought this most advanced of all Latin republics to the brink of economic ruin. Argentinian economic planners estimate the country will need about $450 million in "emergency" credits to carry out the most urgent rehabilitation and replacement tasks. The most important of these is an overhaul of the country's transportation system, which has become so obsolete that it threatens to paralyze all economic activity. Equally serious is the shortage of power. These two sectors together require a minimum of $250 million in foreign exchange to bring them up to date. Since we had no compunction against giving aid to Peron despite his boisterous "anti-Yankeeism," his unsubtle flirtations with the Soviet bloc and his attempts to undermine democratic institutions throughout Latin America, we should certainly lend a helping hand to Argentina's new democratic regime.

On the other hand, Argentina and Brazil have not done all they could to attract more *private* foreign capital. Both these countries must now spend $250-300 million annually on oil imports. Yet, they have probably large untapped oil reserves in their own soil. American oil companies are willing to spend several hundred million dollars, if necessary, to find and produce this oil and sell it on the local market. However, an anachronistic nationalism has prevented any deal with a private oil company, regardless of the terms offered. It is said that such a contract would be considered an infringement of their national sovereignty by the people of these countries. Yet, a recent public-opinion survey in

Brazil showed—to everyone's surprise that the people themselves are not at all opposed to foreign oil companies. Thus, it seems that only certain vested interests are really opposed to an arrangement which would be beneficial to U. S. enterprises as well as the welfare of Latin America.

Atomic Power For Latin America

At Panama, President Eisenhower proposed a hemispheric study of the peaceful uses of atomic energy. For the energy-deficit countries of South America atomic power stations would be a tremendous boon. Actually, the start in building such plants already has been made by the American & Foreign Power Co., a U. S. enterprise, which has plans afoot to install pilot atomic-power plants in three Latin American countries.

It is obvious that Latin America must look more and more to private U. S. capital to finance the costs of its industrialization. The speed of this development will therefore depend largely on the kind of investment climate created by the presidents who assembled in Panama to pledge allegiance to "the full realization of the destiny of America which is inescapable from the economic and social development of its peoples and therefore makes necessary the intensification of national and inter-American cooperative efforts. . . ."

—END

Economic Effect of Strikes

(*Continued from page* 578)

tires, taught the public the convenience and economy of group riding. After the first week of the Washington transit strike, group riding became as popular as in wartime. Other cities have reacted similarly.

Need For Study

Most studies of labor-management disputes have centered on the workers themselves, or those dependent on them. The consequences, undoubtedly, are far more encompassing when the resultant influences are measured in relation to other aspects of the economy. Even more difficult would be the task of determining how they may speed otherwise natural tendencies in economic life.

Among these might be included the contribution that labor disputes may have on the trend toward bigness in business. Only great corporations or heavily financed business can withstand the impact of a prolonged strike. The smaller business man is at an immeasurable disadvantage in seeking credit to maintain his business when another with unlimited capital wishes to take over.

Nor do strikes encourage the flow of capital into an industry, however essential, when labor maintains a controlling voice.

A case in point is the Capitol Transit Co., in Washington, D. C. Capitol suffered all of the woes incident to operating a mass-transportation system in a city where the private car is the accepted mode of transit, where rising costs conflict with public resistance to increased fares, and where capital and maintenance items are swollen by a law forcing all power lines to be laid underground.

A labor dispute last summer caused a shutdown lasting six weeks. During that period Congress revoked the company's franchise as of this summer. It became necessary to find a buyer.

The general atmosphere did not encourage any enthusiastic bidding for the property. The veto power over any deal, which could be exercised by the union, the District commissioner or by Congress, created an impasse which was resolved only at the last moment. A wholly new group of local investors then came forward with and acceptable deal.

There were two odd situations brought to light by the six-week stoppage. Downtown retail trade suffered seriously, although the number of strikers was not sufficient to explain the decline. Merchants suddenly discovered that many housewives weren't buying because their husbands used the car all week. And during the summer the stores were closed on Saturday, the one day the car was available. Back the merchants went to the long discarded summer six-day week. The results were so amazing that all but the most exclusive establishments are now open for trade on Saturdays again this season.

The other revelation brought about by the Capitol Transit strike is the amount of taxes which strikes cost the government and, consequently, the other taxpayers.

This oddity has vaguely been noted before. The Capitol Transit

case merely brings it into practical focus. The company has now asked authority of its stockholders to maintain its corporate entity under an altered guise. It points out that, by remaining in being, the company will have a claim for the refund of almost $4.5 million in taxes paid out in past years.

In all studies of the malignant effect of strikes, the person most affected is generally overlooked. He is that old familiar figure known to cartoonists as John Q. Public. Excepting as a taxpayer, he is indeed the forgotten man. Yet it is he who pays for labor disputes either in cash from his own pocket, or in the inconvenience suffered from the lack of goods or services. It has become trite, archaic and indecent even to mention him.

Is it because, in the end, he is to blame for his predicament? Certainly he is the one person who could persuade his Congressman or state legislator as well as labor and business leaders that this sort of mess must be cleaned up. There must be some method of solution under democratic processes. And work stoppages, by whatever name they may be called, can become a luxury the nation cannot afford.

Yet there is no movement on Capitol Hill which indicates any awareness that a remedy, however bitter, must be found.—END

As I See It!

(*Continued from page* 573)

which Dr. Schacht — it must be said to his credit—did not agree, the German recovery of the thirties would have been a great deal less dramatic and more painful.

Finally, Dr. Schacht's foreign trade program is hardly anything to be proud of. In international trade the name Schacht has become a byword for arbitrary and restrictive practices and for the outside imposition of commercial policies on small, less developed countries. In 1946 the late Sir Stafford Cripps, then President of Britain's Board of Trade, declared at the opening of the Commonwealth Economic Conference: "... Schacht's spirit will be present with us all. The question arises whether world trade can be increased to the necessary extent without putting some of Schacht's ideas into practice."

Was Schacht a Nazi? He devotes a great part of his book to proving that he was not. The facts are that he had resigned from his office as Reichsbank president in 1930 but accepted reappointment in 1933 when Hitler offered it to him and also made him his minister of economics. For the first five years of the Nazi regime he was one of its key planners though he never adopted Nazi manners or mentality and publicly deplored Hitler's excessive anti-Semitism (but it seems he would not have objected to a 'mild' form of Jew-baiting). By 1939 he was in full opposition to Hitler, was stripped of his offices and in July 1944 was sent to a concentration camp.

He certainly is an undaunted fighter. After outwitting Gestapo interrogators, he got himself acquitted at the Nuremberg War Crimes trials, battled his way through the German denazification system and is again active as a banker and economic consultant to some Asian governments. He is an unusual man. Clever, arrogant and self-righteous. But it is doubtful that he will be accorded the place in economic history which he thinks he has made for himself.

BOOK REVIEW

MacArthur
His Rendezvous with History

By Major General
COURTNEY WHITNEY

This is a sweeping, dramatic, and continuously exciting account of our rapidly increasing involvement in the Far East since 1941, in terms of the man who for ten years, in war and in peace, was our chief representative there.

Part One tells the story of Bataan and MacArthur's triumphant return to the Philippines as it has never been told before. Part Two describes the surrender of Japan and the great accomplishments of the Occupation. Part Three gives an account of the Korean War, including the baffling and at times contradictory policy directives, under which MacArthur operated. Part Four deals with his recall, his overwhelming reception at home, his political activities during 1952, and his present position as an industrial leader.

Beyond the sheer drama of this book, its greatest value lies in its sensational revelations in regard to important events concerning which we have hitherto had only dim or distorted information, if indeed we have had any at all. Among these events some of the outstanding are:

1) What went on between MacArthur and Roosevelt during those dark weeks before MacArthur was ordered to go to Australia.

2) The questionable role of the Navy during the defense of the Philippines.

3) A complete description of what went on at the famous MacArthur-Nimitz-Roosevelt conference at Pearl Harbor, the outcome of which virtually ensured victory in the Pacific.

4) The entirely unknown and fascinating story of the organization of guerrilla warfare in the Philippines, of which General Whitney was in personal charge.

5) The full story of the Battle of Leyte Gulf.

6) The first accurate and authoritative account of the dramatic circumstances under which the new Japanese Constitution was written.

7) The first complete account of the dramatic conference in Tokyo during which General J. Lawton Collins and Admiral Forrest Sherman tried to talk MacArthur out of the Inchon landing.

8) MacArthur's explanation of his famous visit to Chiang Kai-shek in Formosa, and of his letter to the Veterans of Foreign Wars, which Truman tried to stop.

9) The most complete account yet published of the MacArthur-Truman conference on Wake Island before the 1950 Congressional elections.

10) The step-by-step story of MacArthur's recall, up to the final scene in Tokyo when he received the news.

General Whitney reproduces in full or in substantial part many hitherto unpublished communications to and from Washington, especially to and from the Joint Chiefs of Staff and the Pentagon, so that the reader may judge for himself the orders MacArthur received and how he carried them out. If anybody in the history of America has ever deserved to put his entire case in the record, deserved to be heard whether one agrees with him or not, it is General Douglas MacArthur. And as he himself will never present his entire case, this is the most complete record and documentation there has been.

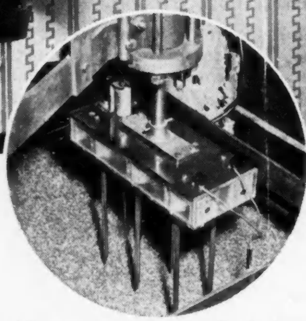
Knopf $6.75

Stock Market — Looking To The Fall

(*Continued from page* 575)

as compared with those at the 1946 and 1937 market highs, is suggestive of a top area, although far from the cock-eyed 1929 situation in which bonds yielded much more than stocks.

On balance, the implications of the steel strike settlement are mildly inflationary; but those of the Reserve Board's continuing tight-money policy are the reverse, and their eventual business consequences may be remembered this fall after the details of the strike settlement have been forgotten. We advise continuing caution, prudence and discrimination in the management of your portfolio.—Monday, July 30.



799,999 moisture checks to go

If this young lady checked the moisture in her flower pots as often as The American Tobacco Company checks moisture in cigarette tobacco, she'd do it 800,000 times a year.

Too much moisture, or too little, can mean the difference between a cigarette that burns too slow or too fast, that tastes too harsh or too flat—and a cigarette that tastes just right.

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